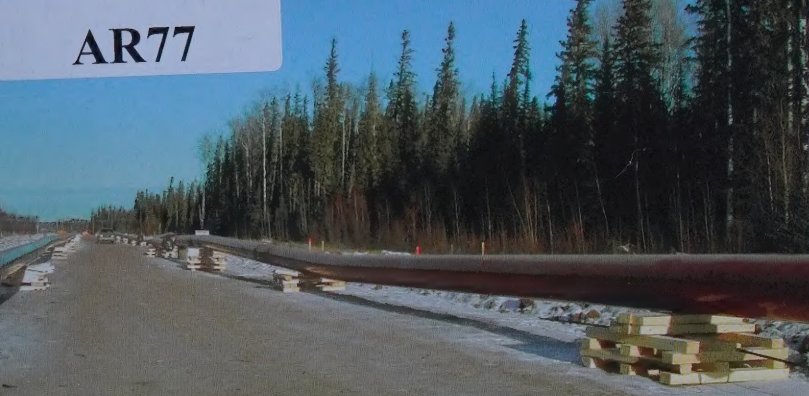


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2002

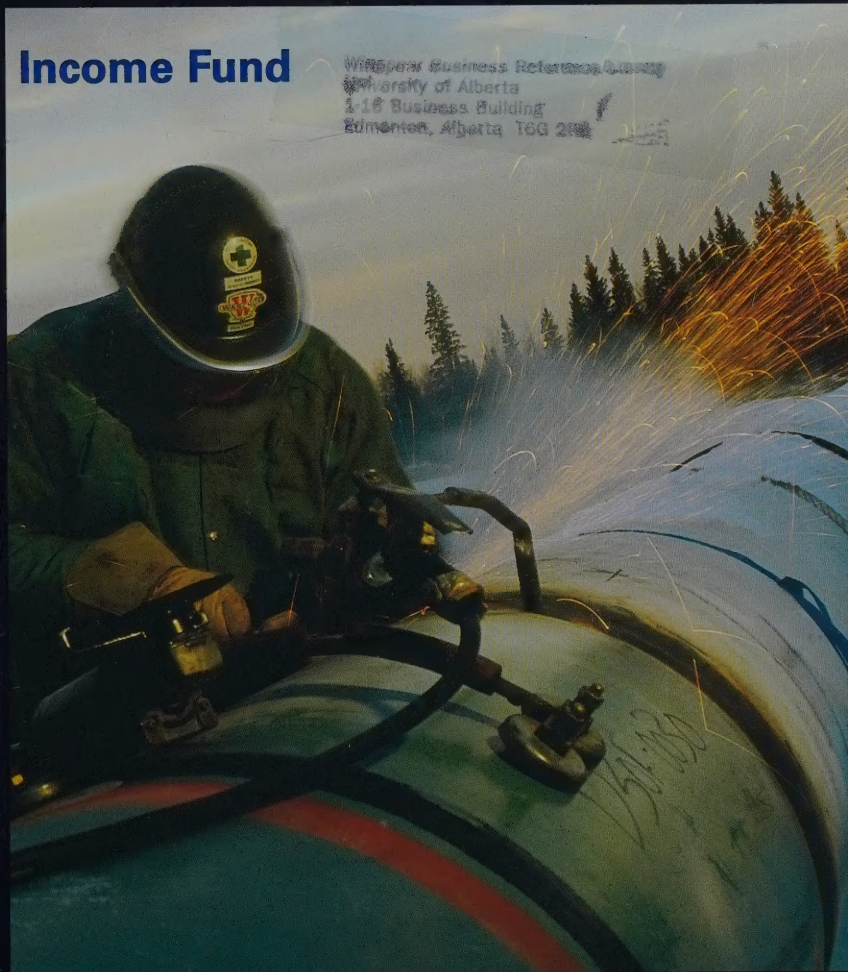
Pembina Pipeline

2002

Report to Unitholders

Income Fund

Windsor Business Reference Library
University of Alberta
1-16 Business Building
Edmonton, Alberta T6G 2H6



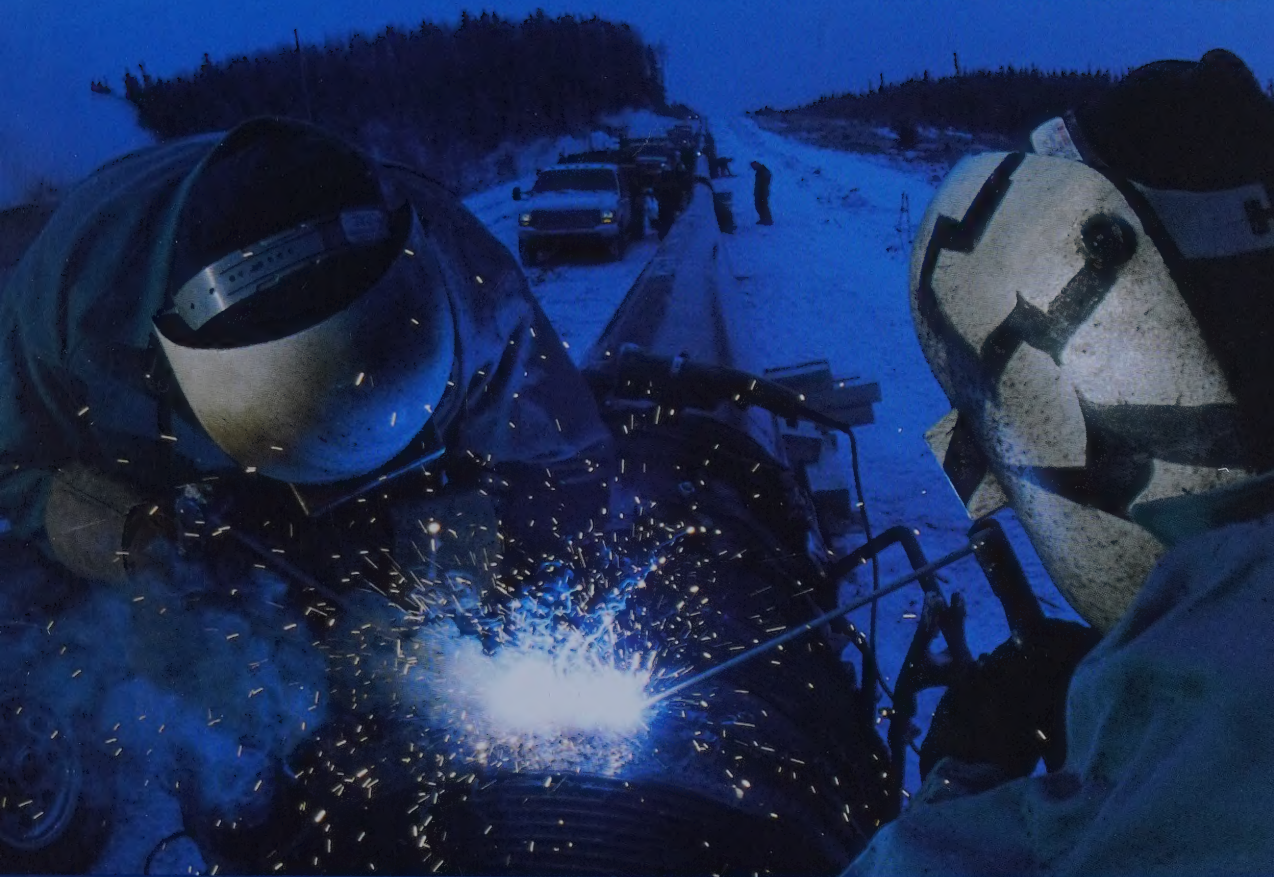
Pembina Pipeline Income Fund is a publicly traded Canadian income fund engaged, through its operating subsidiaries, in the transportation of light conventional and synthetic crude oil, condensate and natural gas liquids in Western Canada.

The Pembina Pipeline Income Fund, an unincorporated open-end trust, pays monthly cash distributions to Unitholders. Pembina Pipeline Income Fund Trust Units are listed on the Toronto Stock Exchange under the symbol PIFUN. Pembina's corporate head office is located in Calgary, Alberta.

service and reliability 2002

Pembina is Canada's leading liquids feeder pipeline business, serving a broad customer base with an integrated pipeline network spanning some 8,000 kilometres.





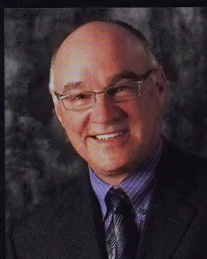
Pembina Pipeline Income Fund

PIF.UN

HIGHLIGHTS

	2002	2001	Increase
Throughput Volumes <i>(thousands of barrels per day)</i>	724.0	512.1	41.4%
Operating Revenue <i>(millions)</i>	\$ 224.5	\$ 191.6	17.1%
Distributed Cash <i>(millions)</i>	\$ 96.3	\$ 80.9	19.0%
Per Trust Unit	\$ 1.05	\$ 1.05	—
Trust Units Outstanding <i>(weighted average in millions)</i>	91.7	77.1	19.0%

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Robert B. MichaleskiPresident and
Chief Executive Officer**Peter D. Robertson**Vice President Finance and
Chief Financial Officer**Fred E. Webb**Vice President and
General Manager**D. James Watkinson, O.C.**Vice President, General
Counsel and Secretary

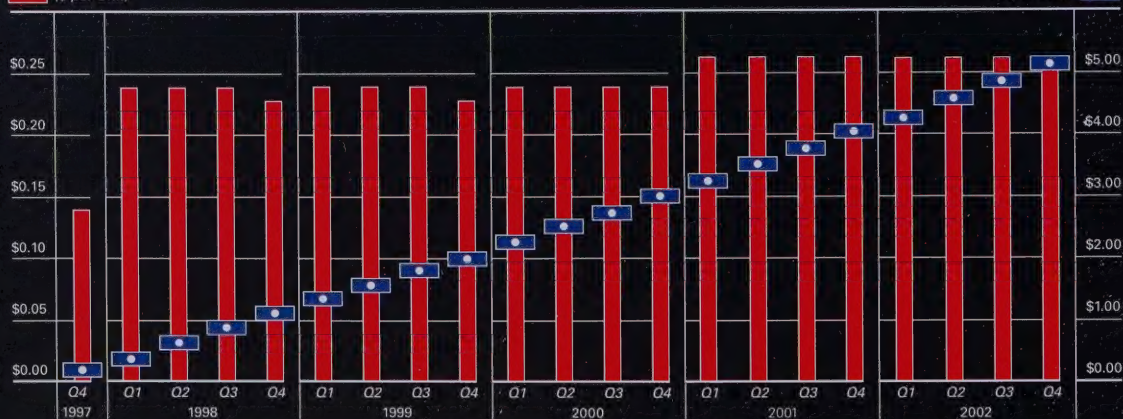
integrity and performance

**DISTRIBUTED CASH**

(\$ per Unit)

CUMULATIVE DISTRIBUTION

(\$ per Unit)



Letter to Fellow Unitholders

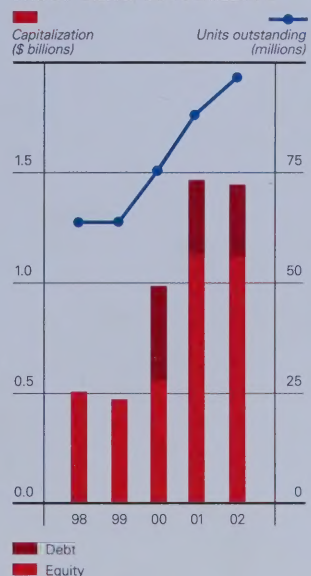
Pembina achieved record results in 2002 and we embarked on the single largest construction project in Pembina's history. The Fund is well on its way to realizing its medium term growth objectives, which we are confident will propel future results to an even higher level. During 2002, we dedicated our efforts to integrating the \$625 million of new assets acquired over the prior two years into what is now an extensive, diversified network of fifteen pipeline systems. In addition, by mid-year we were fully engaged in the initial phase of the \$200 million capacity expansion of the Alberta Oil Sands Pipeline (AOSPL) system, requested by the Syncrude Participants to accommodate their production growth. Construction of the 273 kilometres of pipeline loops and related facilities is now well underway and will increase design capacity of this system by over 40 percent to 389,000 barrels per day. Once available for service in 2004, the expanded AOSPL will enhance Pembina's cash-generating capabilities and provide a solid foundation for long-term cash flow stability and reliable Unitholder distributions.

A RECORD OF ACHIEVEMENT

In 2002, Pembina's Unitholders realized another year of consistent returns as the Fund achieved its \$1.05 per Trust Unit annual distribution objective. Since inception in 1997, the Fund has distributed \$5.10 per Unit, over half the original issue price. Cumulative cash distributions through December 31, 2002 amounted to \$367 million. This established record of results has manifested itself in the Fund's superior relative total return performance.

Pembina has achieved this enviable record by consistently executing the management principles and business plan on which the Fund was founded. Through cost-effective management of the asset base, and optimization of product movement and pipeline operations, Pembina endeavors to maximize economic returns. Management has successfully grown the Fund through a series of well-considered and accretive acquisitions, more than doubling the total capitalization to nearly \$1.5 billion today. Pembina is the dominant business in its industry sector, transporting approximately 750,000 barrels per day, or close to one-half of the light and medium crude oil and one-third of the condensate and natural gas liquids produced in Western Canada. And, Pembina has assumed a pre-eminent role in its market segment, ranking amongst the largest infrastructure income funds in the Canadian trust sector. Substantial growth has not impaired Pembina's ability to continue to expand its operations. At year-end 2002, debt represented less than 23 percent of total capitalization, leaving capacity to respond to future opportunities.

CAPITALIZATION AND TRUST UNITS OUTSTANDING



In 2002, Pembina's Unitholders realized another year of consistent returns as the Fund achieved its \$1.05 per Trust Unit annual distribution objective.

This established record of results has manifested itself in the Fund's superior relative total return performance.

stable growing distributions



COMPARATIVE TOTAL RETURNS

(Index value)

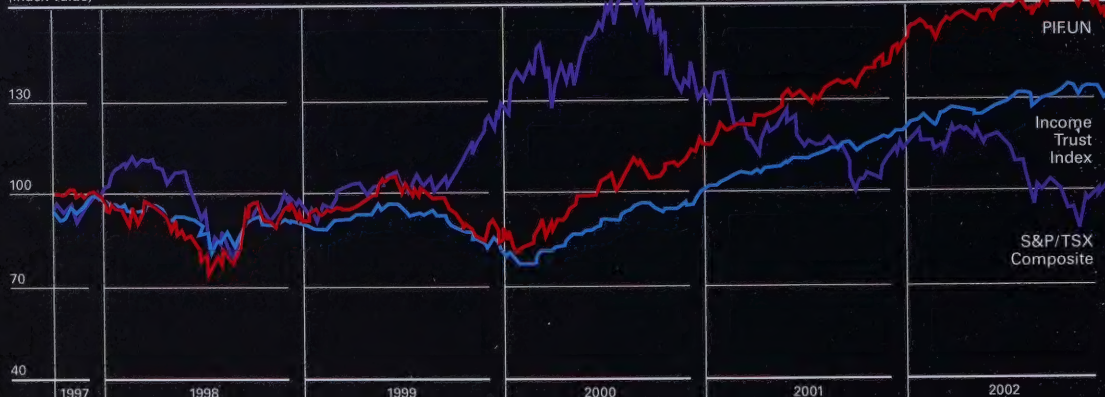


Chart data provided by BMO Nesbitt Burns Income Trust Research.

DIVERSIFIED INDUSTRY LEADER

Pembina achieved record operating results during 2002, as performance improved across most operating metrics, fueled by asset base growth. Consolidated pipeline throughput averaged 724,000 barrels per day in 2002 and, during the fourth quarter of the year surged to an all-time record high for the company, averaging 757,400 barrels per day. Our volumes increased 41 percent from 2001, reflecting the inclusion of operating results for Pembina's AOSPL system acquired in late 2001. Pembina's pipeline network benefits from diversification across geographic areas served, products transported and customer base.

Revenues increased by \$32.8 million to \$224.5 million in 2002, while operating income rose to \$135.5 million. Consolidated operating expense of \$89.0 million in 2002, or 32 cents per barrel, compares favorably to prior year costs of \$71.4 million, or 35 cents per barrel. This sizable reduction in unit costs reflects the relatively lower unit cost structure of the AOSPL assets. Unit operating expense for Pembina's conventional systems, excluding AOSPL, increased by eight percent to 38 cents per barrel in 2002. Rising insurance, power and employee pension benefit costs, together with expanded line integrity programs, moved unit costs higher on these systems. Pembina continues to upgrade newly acquired facilities, with a focus on inspection and repair programs designed to ensure continuity of safe and reliable pipeline transportation service.

Pembina has established a long-standing reputation for cost-effective and reliable pipeline transportation service to our customers. Pembina's tolls represent a modest proportion of our customers' total cost of getting product to market, particularly at current commodity price levels. Tolls are managed to provide full cost recovery and a reasonable return on investment. Pembina minimizes the requirement for toll adjustment through a combination of effective cost and asset management. In 2002, the average tariff realized on product movements, excluding AOSPL, was 97 cents per barrel, a marginal increase from the 2001 average of 95 cents per barrel. Rising costs, coupled with a modest decline in throughput on conventional systems in 2002, necessitated toll increases in December 2002 in the range of five to ten percent.

In keeping with its industry stature, Pembina sets a very high standard with regard to the corporation-wide pursuit of excellence in health, safety and environmental practices. We actively promote work site health and safety initiatives and provide training and orientation for all staff. We maintain extensive environmental programs designed to minimize the impact of our operations. Risk management and emergency response planning are an integral part of our overall policies and practices. We commit roughly one third of our annual operating budget to pipeline integrity and preventative maintenance programs. As well, we keep our stakeholders informed of our proposed and current activities through active communication, consultation and public information initiatives. We believe these commitments define the corporation while helping to ensure the reliable, safe long-term operation of our pipeline assets.

STRUCTURED FOR SUCCESS

In the third quarter of 2002, Standard and Poor's launched the S&P/TSX Canadian Income Trust Index, formally recognizing the significant growth and increased relative influence of the trust sector in Canadian equity markets. Pembina Pipeline Income Fund comprises an estimated four percent of this new index, close to the top of 40 index constituents in terms of weighting.

Pembina Pipeline Corporation obtained its first public rating by a recognized ratings agency from Standard & Poor's in November 2002. Pembina received a long-term corporate credit rating of triple-'B' and a triple-'B'-plus senior secured debt rating on the Company's senior secured notes and bank loans, with a stable outlook. This rating reflects Standard & Poor's assessment of the credit profile of both Pembina Pipeline Corporation and of its parent company, Pembina Pipeline Income Fund. This solid investment grade rating from a recognized source supports ongoing access to capital for the Fund on favorable terms, reducing financing risk and cost of capital for the Fund.

Pembina's seven-member Board of Directors is cognizant of the investment community's need for full and timely corporate disclosure and management accountability, and believes that the Fund sets a high standard in this regard. The Board sets the agenda for strong stewardship with established corporate governance practices designed to meet, or exceed, regulation. The duties and expectations of the Board and its three committees are set out in a Corporate Governance Manual, which ensures that acceptable practices and policies are implemented to protect Pembina's diverse stakeholder base. The income fund structure itself imposes discipline on management, with its requirement for regular distribution of cash flow to its owners. This ensures transparency in both operations and financial reporting, and a high degree of accountability.



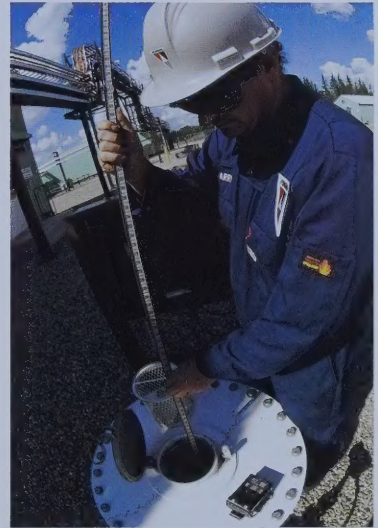
OBJECTIVES AND OUTLOOK FOR 2003

The overriding objective of the Fund is to provide stable, reliable distributions to Unitholders, while seeking out opportunities to enhance Unitholder value. We have and will continue to achieve this value enhancement through operating excellence, the measured, accretive growth of our asset base and by maintaining and potentially elevating Pembina's profile in its industry and market sector.

Pembina's adherence to maintaining a sound financial condition, combined with formal external recognition of the Fund's position and performance in its industry sector, has enhanced ongoing access to capital markets on favorable terms. In January 2003 we launched a Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan. Under the Plan, Unitholders are offered attractive reinvestment and cash distribution options. The Plan provides Pembina the opportunity to raise regular increments of equity on cost-effective terms. Pembina will direct the initial annual limit of \$24 million raised under the Plan to fund expanded capital programs and debt repayment initiatives, reducing future equity requirements.

We have established strict criteria by which future acquisitions and capital investments in pipeline infrastructure are evaluated. Only those assets that add value, by generating incremental distributable cash for Unitholders, by providing strategic competitive advantage or by imparting diversification benefits, will be considered.

Industry forecasts suggest that favorable conditions in the Canadian oil and natural gas sector may fuel a surge in drilling in 2003 to levels approaching the record set in 2001. Recent and planned drilling and development activity in Pembina's service areas has resulted in elevated expressions of interest for transportation service across our pipeline network. During 2002 three new crude oil batteries were connected to our Peace and Pembina systems and, we are currently working with a number of producers on new connection and pipeline extension proposals on our operated pipeline systems.



Pembina has very successfully weathered both industry and market cycles over the past five years and has emerged as an established, premium performer. We intend to maintain, and potentially enhance, our role as the dominant player in our industry sector and to preserve the Fund's position in the trust sector, while continuing to realize strong relative performance. Our proven track record, our diversified asset base, and our clear business strategy are an exceptional platform upon which to build and serve our Unitholders and our customers.

On behalf of the Board of Directors,

R.B. Michaleski

*President and Chief Executive Officer
Pembina Pipeline Corporation and Pembina Management Inc.*

March 18, 2003

Pembina's Pipelines

Pembina is Canada's leading liquids feeder pipeline business, serving a broad customer base with an integrated pipeline network spanning some 8,000 kilometres. Pembina transports 750,000 barrels per day of light conventional and synthetic crude oil, condensate and natural gas liquids (NGLs) from producing regions across much of Alberta and northeastern British Columbia to delivery hubs for storage, fractionation, refining or transfer to export pipelines. Products transported on Pembina's pipelines represent more than half of the light and medium conventional crude oil, and a growing proportion of the condensate and NGLs, produced in Western Canada. With the addition of the Alberta Oil Sands Pipeline to its well-diversified and strategically located asset base in late 2001, Pembina now participates in the exciting development of Canada's extensive, long-life oil sands resource.

2002 OPERATING HIGHLIGHTS

	Volume (thousands of barrels per day)	Revenue (\$ millions)	Average Tariff (\$/barrel)
Alberta	471.8	170.0	\$ 0.99
B.C.*	17.2	17.6	\$ 0.87
AOSPL	235.0	36.9	\$ 0.43
Total	724.0	224.5	\$ 0.81

* Includes only BC production transported on the Western System

During 2002 Pembina focused on the integration of the \$625 million in pipeline assets and facilities acquired over the previous two years. Pembina has realized many of the operating efficiencies and economies identified during the evaluation of these assets, through optimization of product movements, merged operations and asset rationalization. Key to this integration initiative has been the centralization of control center operations, providing remote control and monitoring across Pembina's expanded pipeline network.

This was essentially completed by the second quarter of 2002,

whereupon the corporation embarked on a multi-year initiative that will rationalize the communications infrastructure, Supervisory Control and Data Acquisition (SCADA) systems and Leak Detection platforms utilized by the various pipelines. Tightly coupled with these initiatives is the continuing development and enhancement of a remotely located back-up control center. This facility will ensure business continuity for Pembina's operational control systems in the event of disruption at the primary control facility.

The effective application of technically sophisticated solutions, coupled with the considerable expertise of Pembina's operations group, has facilitated the realization of substantial operating efficiencies and has supported optimal performance across Pembina's growing pipeline network.

DAILY AVERAGE THROUGHPUT

(thousands of barrels per day)	2002	2001
Alberta	471.8	500.8
B.C.*	17.2	11.3
AOSPL	235.0	—
Total	724.0	512.1

* Includes only BC production transported on the Western System

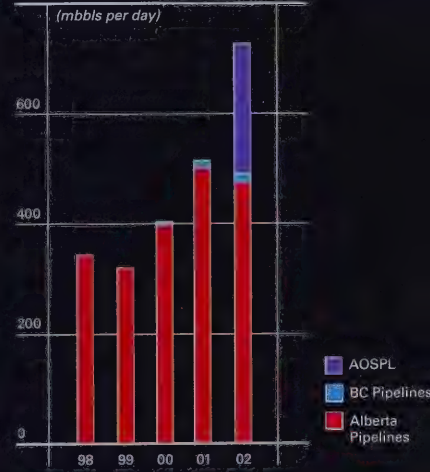
Technical expertise and effective asset management produce optimal operating performance.

Operating efficiencies and economies have been realized through optimization of product movements, merged operations and asset rationalization.

expanded pipeline network



CONSOLIDATED PIPELINE THROUGHPUT



— Alberta Pipelines
— BC Pipelines
— AOSPL
--- Pipelines By Others



Alberta Pipelines

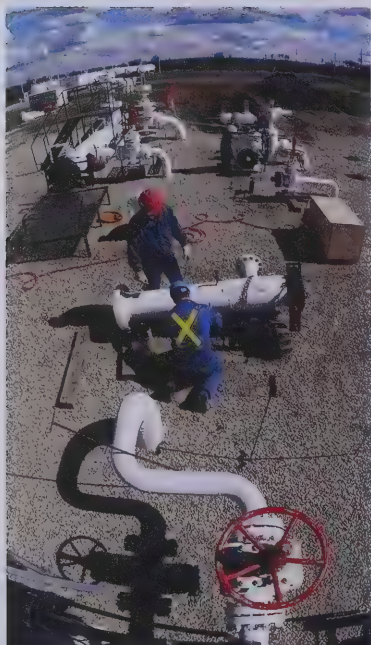
The Alberta pipelines, a network of eight crude oil, condensate and natural gas liquids (NGLs), and two non-operated pipelines, serve producing regions across south central and northwestern Alberta. These pipelines deliver directly, or indirectly through an intermediary, into the Edmonton / Fort Saskatchewan transportation hub, where products are transferred for use in local refining, fractionation and petrochemical operations or are redirected to export transmission pipelines. Collectively, these pipelines transported an average of 471,800 barrels per day in 2002. The magnitude of product movements on these pipelines reflects the dominant role Pembina has achieved in its industry sector, enhancing its function as an aggregator of pipeline assets.

The **Peace system** serves mature and developing oil and gas fields of northwestern Alberta and northeastern British Columbia with 2,100 kilometres of multi-product pipeline. Light crude oil, condensate, propane mix and two grades of ethane mix are transported in “batch” mode from 84 receipt points. Peace throughput averaged 194,100 barrels per day in 2002 compared with 200,000 barrels per day in 2001. The mid-year discontinuation of shipments of BC crude oil production, upon restoration of

service on Pembina’s Western system, coupled with a hydrostatic test of the 12 inch NGL mainline over eight days in August, caused the apparent decline in volume. Net of the B.C. crude oil, the total Peace volume was less than one percent lower during the year, as increased receipts of natural gas liquids offset natural field declines. During 2002, the volume of natural gas liquids, including condensate, increased to nearly 105,000 barrels per day. Two new pipeline connections were completed during the year, contributing incremental annualized volumes of approximately 2,000 barrels per day.

The **Pembina system**, a network of 1,300 kilometres of gathering pipelines connected to nearly 200 receipt points, has been in continuous operation since 1954, transporting crude oil and condensate produced from the long-life Pembina field southwest of Edmonton, Alberta. The Pembina production area is mature however, the impact of natural field decline has been mitigated by the development activity of Royalty Trust entities that have acquired significant interests in this area in recent years. Throughput averaged 83,100 barrels per day in 2002, five percent lower than the 2001 average of 87,400 barrels per day. During 2002, the major consolidation and upgrading of a major truck unloading terminal was initiated and, a new crude oil production battery connection was completed, adding 450 barrels per day of incremental throughput on this system.

Pembina’s **Swan Hills crude oil system** gathers crude oil from 26 receipt points in the Swan Hills and Judy Creek areas of Alberta, as well as crude oil and condensate from the Northern system, for delivery to Edmonton. Excluding the transfer volume from the Northern system, crude oil receipts were 70,300 barrels per day in 2002 compared to 73,300 barrels per day in 2001, a four percent decline. Long-term maintenance programs in excess of \$1 million were continued in 2002, primarily for internal line inspection. A capital program to improve leak detection meters on this system was completed during the year.



The **NGL systems** consist of the Mitsue Pipeline, the Brazeau and Caroline Pipelines and the Miscible Flood Pipeline. The NGL systems transported an average 60,900 barrels per day of ethane mix and propane mix during 2002 compared to 66,600 barrels per day in the prior year. Throughput had recovered to an average of over 63,000 barrels per day by the fourth quarter of 2002, as increased volume was tendered on all of the NGL systems, excluding Mitsue.



The **Northern system** is a batch-operated pipeline originating at Dunvegan, Alberta and extending through northwestern Alberta into the Judy Creek and Swan Hills areas, then onwards to Fort Saskatchewan. A second pipeline originating at Taylor, B.C. delivers into the Northern mainline at Belloy. At Judy Creek, the Northern mainline transfers crude oil and condensate to the Swan Hills system for delivery to the refining hub at Edmonton. The natural gas liquids remain on the Northern system until delivered to the fractionation hub at Fort Saskatchewan. During 2002, an average 28,200 barrels per day of crude oil, condensate, propane mix and ethane mix were transported. This compares to 34,000 barrels per day in the prior year. Over 4,700 barrels per day of the apparent decline was due to a reduction in B.C. crude oil receipts, as described under the Peace system.

Pembina transports crude oil, condensate and butane from 24 receipt points northwest of Calgary to the BP Rangeland pipeline on the **Cremona system**. Receipts on this system averaged 18,400 barrels per day in 2002, compared to 20,500 barrels per day in the preceding year.

Pembina holds a 50 percent and a ten percent undivided interest in the Bonnie Glen and Wabasca River pipeline systems respectively. Together these systems comprise the **non-operated systems**, which contributed an average 16,800 barrels per day in 2002, about two percent of Pembina's total pipeline throughput.

The Alberta systems represent the historic core of Pembina's pipeline business. While some of these systems have been in operation for five decades, Pembina's focused preventative maintenance and pipeline integrity programs ensure the long-term viability of these assets. Tolls on most of the Alberta pipeline systems are market-based posted tariffs, designed to provide flexibility to proactively respond to changing operating and market conditions. In December 2002, Pembina increased tolls on most of its operated systems by an average of five to ten percent, in response to rising insurance, power and maintenance costs and to offset the revenue impact arising from natural field declines. Pembina supplements toll management with asset rationalization and continuous improvements in its operations.

British Columbia (BC) Pipelines

The BC Pipelines include the three crude oil gathering pipelines upstream of Taylor, British Columbia (the Blueberry, BC Light and Boundary Lake pipelines), the truck-unloading and pipeline terminal at Taylor, and the Western system which delivers into Prince George and Kamloops, B.C. The upstream pipelines gathered an average of 39,200 barrels per day of crude oil and condensate in 2002, representing 95 percent of the crude oil produced in that province. The Western system transported an average of 17,200 barrels per day from Taylor to delivery points in Prince George and Kamloops. At the beginning of 2002, 72 percent of BC crude oil was delivered into Edmonton on Pembina's Peace and Northern Pipelines, with service on the Western system limited to delivery to Prince George. By mid-year, service to Kamloops was restored and, by year-end, 93 percent of the crude oil produced in B.C. was being carried on Western. The condensate at Taylor and the balance of the crude oil was transported to Edmonton. Pembina's throughput statistics for the BC Pipelines includes only those volumes transported on the Western system.



Reinvestment in the B.C. Pipelines continued in 2002 with nearly \$12 million expended on capital and major expense projects designed to increase capacity, reliability and leak detection on the gathering systems, the Taylor Terminal and the Western System.

On the upstream ends of the gathering systems, pipeline facilities at nine production batteries were rebuilt or expanded. Within the gathering systems, internal inspections were conducted on two pipeline segments and work commenced on the expansion of the North Pine Booster Station. At the downstream end, a major upgrading and consolidation of the Taylor Terminal has commenced. Until a few years ago, parts of the Taylor Terminal were

owned by or dedicated to four separate pipeline operations – Blueberry, B.C. Light & Boundary, Federated and Pembina's Taylor to Dawson Creek Pipeline. Following pipeline acquisitions in 2000 by Pembina, all the crude oil facilities at the Taylor Terminal were for the first time owned by a single party, making rationalization and efficiency enhancements possible. A December 2002 toll application to the British Columbia Utilities Commission was approved by Western shippers and the regulator and became effective January 1, 2003. The higher toll structure provides for the required returns generated under the rate-base methodology established for this system.

The southern portion of the Western System, from Prince George to Kamloops, was shutdown in August of 2000 to allow several major integrity projects to proceed. The line to Kamloops was reopened mid-year following a hydrostatic test and, once in service, a high-resolution inspection was conducted to further ensure the integrity of this pipeline. Other 2002 projects included the construction of a pressure regulating station and a separate pressure relief station upstream of the Thompson River. In total, \$9 million of a multi-year capital program for this system was expended in 2002. The five-year toll agreement established with Western system shippers in mid-2002 provides shippers toll certainty over this period and provides Pembina with the cash flow required to improve this pipeline.

Alberta Oil Sands Pipeline (AOSPL)



The AOSPL system, comprised of a 434 kilometre mainline and related facilities, and has a single receipt point, Syncrude Canada Ltd's production facility north of Fort McMurray, Alberta. AOSPL is the exclusive transporter for the Syncrude Project, the world's largest producer of synthetic crude oil from oilsands and the largest single source of oil in Canada. This pipeline, which been in service since 1978 to transport all of the synthetic crude oil production from the Syncrude Project, was acquired by Pembina on December 31, 2001. AOSPL throughput averaged 235,000 barrels per day during 2002, and 2002 exit volume increased to over 264,000 barrels per day, approaching the present line capacity.

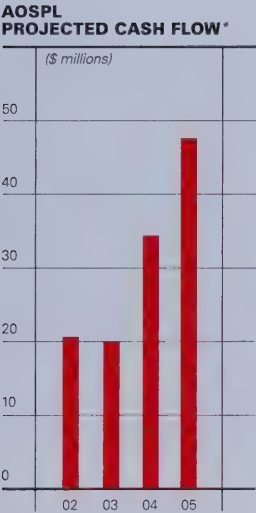
Over the past 25 years, the AOSPL capacity has been increased to keep pace with the staged growth in production from the Syncrude Project. In 2002, Pembina Pipeline Corporation commenced construction of the Stage 3 Expansion of AOSPL system, increasing design capacity from its present rate of

275,000 barrels per day to 389,000 barrels per day by mid-2004. Incremental production from Syncrude's Upgrader Expansion 1/Aurora 2 Project is expected to commence by late 2004. The AOSPL project entails installation of 273 kilometres of 24 inch and 30 inch diameter loops that will be added to the existing mainline. Most of the pipeline construction, scheduled over the 2003 winter and summer construction seasons, will take place on existing pipeline right-of-ways. This project also includes the expansion of the Mildred Lake initiating pump station at the Syncrude site.

In addition to the expansion, there were also nearly \$2 million of major expense projects conducted on the AOSPL system. The largest of these projects was the relocation of a portion of the pipeline within the mine area.

Returns generated by the AOSPL system are governed under the terms of a long-term agreement between the pipeline and the Syncrude Participants, with a current expiry at the end of 2035. Under the agreement, Pembina earns returns on current and future invested capital and recovers all operating

costs. Upon completion of the current AOSPL expansion phase, the roughly \$200 million expended on this project will more than double the return generating capital base of this pipeline system. And, the Syncrude owners have communicated their commitment to more than double productive capacity by 2015, which will see further capital increments added to the AOSPL earning base, as the staged capacity expansion of this pipeline progresses to meet Syncrude's growing transportation requirements.



* AOSPL estimates based on 2004 in service date for expansion. Cash flow before financing and taxes.



Based on Canadian Oil Sands Trust projections.

Health, Safety and Environment

Pursuit of excellence in health, safety and environmental practices

Protecting the health and safety of co-workers and the public and safeguarding the environment is of paramount importance to management and employees at Pembina. Pembina continues to update its standards and improve its processes in all areas of health, safety and environmental management (HSE). Significant growth in our pipeline operations over the past three years has challenged Pembina to develop new solutions to satisfy the evolving needs of an expanded pipeline network. Effective integration, development and application of standard HSE policies and processes across all sites has been a priority over this period.

WORK SITE HEALTH AND EMPLOYEE AWARENESS AND TRAINING

Pembina is committed to providing a safe and healthy work site for all employees and achieves this objective by promoting awareness of current standards of performance established by industry practice and regulation, achieving a standard of performance which meets or exceeds these requirements. All workers are supplied with the training, personal protective equipment and tools to do the job safely in facilities that are designed and constructed in accordance with all relevant safety standards.

ENVIRONMENTAL PROGRAMS

Pembina's objective is to minimize the environmental impact of its operations, and several ongoing and long-term programs have been developed in pursuit of this goal.

- soil and groundwater quality assessment
- waste management
- greenhouse gas emissions
- land use protection
- site remediation and reclamation
- regularly scheduled external environmental compliance audits

In addition to regular and ongoing environmental programs, Pembina emphasizes reducing, reusing, recovering and recycling materials used in day to day operations to ensure environmentally sound operating practices.



RISK MANAGEMENT AND EMERGENCY RESPONSE

Risk management is integral to Pembina's policies and programs. Preparedness, preventative maintenance, ongoing monitoring and testing of facilities and proper employee training help to mitigate the level of risk the company and its stakeholders are exposed. Emergency response preparedness is key to Pembina's approach to risk management, and physical and electronic monitoring of rights-of-way and facilities are critical to timely detection and response. Pipeline integrity programs and regular preventative maintenance are essential pipeline operation activities, and comprise 35 percent of Pembina's annual operating expenditures.



STAKEHOLDER INVOLVEMENT AND COMMUNITY RELATIONS

Pembina is committed to promoting stakeholder communication and consultation, to ensure stakeholder concerns and interests are addressed. To this end, Pembina actively facilitates discussions with various stakeholder groups. Public information initiatives include: public consultation sessions regarding planned programs, proposed expansions and other activities; meetings with local emergency response and civic officials in the development and review of emergency response plans; and regular landowner and occupant contacts along the major pipelines. For example, community meetings were held with land owners and civic officials along the Western system right of way prior to the restart of the southern segment in 2002.

Pembina is an active member of industry sponsored Health, Safety and Environment programs and has been formally recognized for its standard of practice. Pembina has been a member of the Alberta Partnerships in Health and Safety Program since 2000 and has an active Certificate of Recognition. This certificate recognizes that Pembina has developed and implemented a workplace health and safety management system and continues to meet the standards established under the program. Pembina Pipeline Corporation is an associate member of the Canadian Association of Petroleum Producers and subscribes to the association's "Environmental Health and Safety Stewardship" principles. Pembina has received a "Gold" standing for its participation in this program. Pembina is proud to be recognized as a "Silver Champion Level Reporter" under the Canadian Voluntary Challenge Registry on Greenhouse Gas Emissions.



Good management practices ensure that the risks faced by Pembina are identified and that programs are developed to manage the risks to an acceptable standard. As Pembina continues to expand, the necessary resources will be available to meet or exceed the level of performance and compliance required of a senior pipeline operator.

Management's Discussion and Analysis

The following discussion and analysis of financial results is supplementary to the audited consolidated financial statements for the years ended December 31, 2002 and 2001, and therefore should be read in conjunction with those financial statements.

2002 Highlights¹

Record operating results boost distributed cash

Distributed cash rose 19% to \$96.3 million.

Per unit cash distributions were consistent with 2001 at \$1.05 per Unit.

AOSPL supports rise in Operating Income

Operating income rose 13% with the inclusion of operating results for the Alberta Oil Sands Pipeline system, acquired December 31, 2001.

Pembina rated triple-'B' by Standard & Poor's

Pembina Pipeline Corporation was assigned a triple-'B' long-term credit rating and a triple-'B'-plus senior secured debt rating by Standard & Poor's in November 2002.

Major pipeline expansion projected to boost future results

Pembina's \$200 million capacity expansion of its AOSPL system will make a significant incremental cash flow contribution by late 2004.

Year ended December 31st (in thousands of dollars, except Trust Unit amounts)	2002	2001
Revenue	\$ 224,467	\$ 191,647
Operating Expenses	88,972	71,368
Net Operating Income	135,495	120,279
EBITDA ²	122,843	114,112
Interest Expense	15,835	15,310
Net Earnings before Taxes and Goodwill Amortization	39,035	37,181
Net Earnings	59,536	40,271
Distributable Cash	96,288	80,913
Distributable Cash per Trust Unit	\$ 1.05	\$ 1.05
Trust Units Outstanding (thousands of units, end of year)	93,583	87,856
Market Capitalization (thousands, end of year)	\$ 1,102,877	\$ 1,131,160
Total Capitalization (thousands, end of year)	\$ 1,429,136	\$ 1,446,160

¹ Pembina Pipeline Income Fund distributes cash generated by the pipeline operations of Pembina Pipeline Corporation, and other operating subsidiaries.

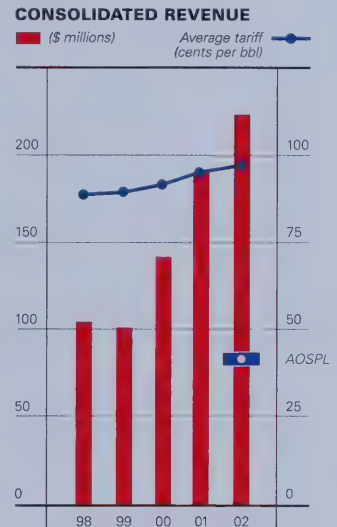
² Earnings before interest, taxes, depreciation and amortization.

RESULTS FROM OPERATIONS

Pembina posted another solid operating performance in 2002, transporting record volumes and generating higher cash flow for the Fund. By the fourth quarter of the year, average throughput reached all-time high levels as volume on many of Pembina's operated pipeline systems ramped up over the previous quarter.

Consolidated average throughput for the year of 724,000 barrels per day represents a 41 percent improvement over the 2001 average of 512,100 barrels per day. The increase was directly attributable to inclusion of AOSPL system results in 2002, acquired on December 31, 2001. Excluding the volume impact of AOSPL pipeline movements, average throughput declined four percent to 489,000 barrels per day. Increased average volume transported due to new developments was more than offset by natural field declines and maintenance events.

Consolidated revenue of \$224.5 million in 2002 was 17 percent higher than 2001 revenue of \$191.6 million. The AOSPL contribution to 2002 revenue was \$36.9 million. Ex-AOSPL, revenue of \$187.6 million in 2002 was two percent lower than the prior year. This reflects the revenue impact of reduced volume, mitigated by proportionally lower declines on higher toll volumes. Tariffs were adjusted upward on most systems on December 1, 2002, in the five to ten percent range. Toll management allows Pembina to proactively respond to volume trends at connected facilities and to changing cost structures. The average calculated toll on Pembina's pipeline systems, ex-AOSPL, was 97 cents per barrel in 2002, an increase of just two percent over the 2001 calculated average. Effective cost control and efficient asset management practices at Pembina have reduced reliance on toll adjustments to manage revenues.



The information contained in this Management's Discussion and Analysis contains certain forward-looking statements that are based on the Fund's current expectations, estimates, projections and assumptions in light of its experience and its perception of historical trends. These statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including but not limited to, the impact of competitive entities and pricing, reliance on key alliances and agreements, the strength and operations of the oil and natural gas production industry and related commodity prices, regulatory environment, fluctuations in operating results and certain other risks detailed from time to time in the Fund's public disclosure documents.

Alberta Pipelines

Throughput on Pembina's Alberta systems averaged 471,800 barrels per day compared with 500,800 barrels per day in 2001, a reduction of six percent. The return of BC crude to the Western system, discussed below, contributed an annualized 5,900 barrels per day of the 29,000 barrel per day reduction. Maintenance events, evolving customers requirements and natural field declines caused the balance of the shortfall. Natural gas liquids (NGL) throughputs on the Peace system were disrupted for eight days in August by a scheduled hydrostatic retest of a segment of the 12 inch NGL mainline which impacted throughputs by an annualized 1,900 barrels per day and cash flow by \$1.8 million. Since completion of the test, this line has been operating at capacity as record quantities of NGL are tendered for delivery to

the Edmonton area. Sporadic deliveries on the Miscible Flood system reduced throughputs by 5,100 barrels per day as producers in the Judy Creek area continue to refine their NGL flood programs.

Pembina's Alberta-based pipeline systems serve producing regions that range from those characterized as mature, such as the Pembina and Swan Hills Crude Oil system, to areas that have been a focal point of oil and gas industry activity in recent years, such as the Northern and Peace systems. The impact of natural field declines associated with connected reserves is mitigated by the ongoing exploration and development activity in Pembina's service regions and, in 2002 three new crude oil production batteries were tied-in to Pembina's gathering network, which will contribute 2,400 barrels per day.

Pembina's Alberta pipelines generated revenue of \$169.9 million in 2002, compared with \$175.7 million in 2001, a three percent reduction. Lower average annual receipts from some connected facilities resulted in the slight decline in revenue. Toll adjustments were posted with an effective date of December 1, 2002. The tariff increases, that fall in the five to ten percent range, were effected to offset the impact of throughput declines and higher projected costs in 2003.

British Columbia (BC) Pipelines

Volume available for transportation in BC of 39,200 barrels per day was slightly lower than the 41,700 barrels per day reported in the prior year. Revenue generated by Pembina's BC pipelines of \$17.4 million in 2002 compared with \$15.9 million in 2001. The restart of the southern segment of the Western system late in the third quarter caused earned revenue on this system to increase in 2002. Operating costs of \$10.8 million were 16 percent lower than the \$12.9 million recorded in 2001. The elimination in 2002 of trucking costs, required in 2001 to truck production to Pembina's Alberta pipeline systems due to constraints on the BC pipelines, resulted in total operating costs for the year to be below the prior year level.

As a result of the Western system remaining out of service until late in the third quarter of 2002, most of the BC production volume was redirected to Pembina's Alberta systems. Throughputs on the BC gathering systems are included with BC throughputs only to the extent that they move on the Western system. Volumes moved on Pembina's Alberta systems are included in those systems only, in order to avoid duplication. Average throughputs on Western were 17,200 barrels per day in 2002 compared with



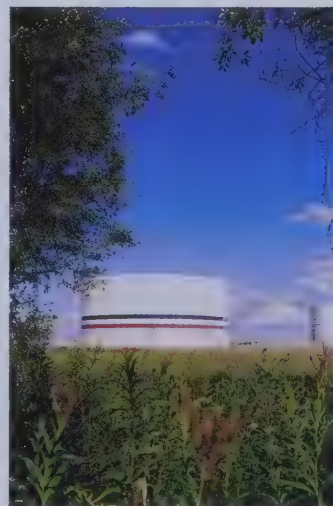
11,300 barrels per day in 2001, reflecting the restoration of service on the Western system late in the year. By year-end 2002, the Western system was moving 33,100 barrels per day, representing 93 percent of the BC crude oil production.

Testing and upgrading of the southern segment of the Western system was completed during the second quarter of 2002, and allowed the line to successfully restart in early July. Pembina received the approval of the British Columbia Utilities Commission of its revised tariff posting, effective July 1, 2002. The tolls, reflecting an agreement between Pembina and Western system shippers, are fixed for a five-year period. The Canadian Association of Petroleum Producers played an integral role in the development and negotiation of the toll settlement and has indicated that the agreement reflects a fair balance of interests for all parties, providing shippers with toll certainty and Pembina with adequate incentive for the upgrade and ongoing operation of this system.

AOSPL

Throughput volume on the AOSPL system averaged 235,000 barrels per day in 2002. Following extensive maintenance at the Syncrude facility over the second and third quarters of the year, throughput rose steadily to an exit volume of 264,000 barrels per day. Revenue contribution from this system was \$36.9 million and operating costs totaled \$15.1 million for the year. Comparative data for 2001 is not reported here as Pembina acquired this system on December 31, 2001.

Returns generated by the AOSPL system are governed by the terms of a long-term agreement with the Syncrude owners. Expiry of the agreement is currently set at December 2035, commensurate with the current expiry of Syncrude's licenses, and the agreement is subject to extension. Pembina earns a rate of return on its capital investment along with full cost recovery. While return is independent of throughput volume, increased capital investment will ultimately increase the earning base and the returns generated by this system. Pembina is currently engaged in a \$200 million capital expansion of AOSPL throughput capacity, at the request of the Syncrude owners to facilitate transportation of increasing production arising from their Upgrader Expansion 1/Aurora 2 Project. The AOSPL expansion, which will see design capacity increased from its present rate of 275,000 barrels per day to 389,000 barrels per day by mid-2004, is progressing on schedule with \$15 million expended to December 31, 2002. A further estimated \$140 million will be spent in 2003 and the balance in 2004. Pembina anticipates that this capital will be aggregated with the existing AOSPL investment in mid to late 2004, effectively doubling the return generating base of this system. Annual distributions to Unitholders are expected to increase by three to five cents per unit after the line is in service, assuming the results of operations of Pembina's other pipeline systems are consistent with current results.



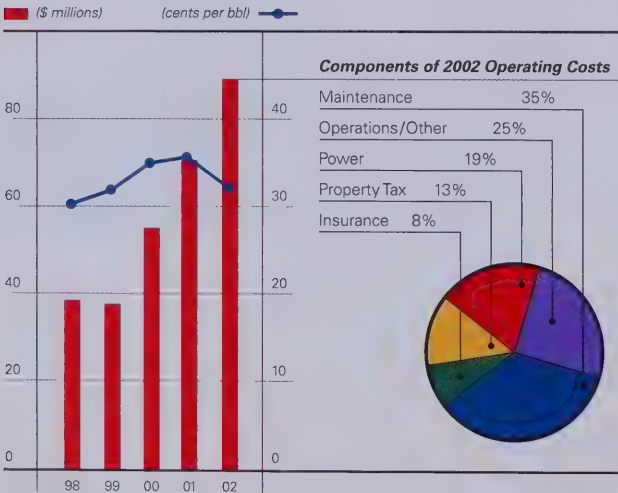
EXPENSES

Operating expenses of \$89.0 million in 2002 were \$17.6 million higher than 2001, primarily as a result of inclusion of the AOSPL operations at the beginning of the year. Unit costs declined to 32 cents per barrel in 2002, from 35 cents per barrel in 2001, reflecting the lower relative unit cost structure of AOSPL and the realization of efficiencies arising from system integration initiatives. Power costs were relatively consistent with the prior year, however a rising trend noted later in the year is expected to inflate these costs in 2003. To reduce exposure to anticipated power cost increases in 2003, Pembina has entered into two forward transactions that will fix the cost of 50 percent of Pembina's current power consumption for three to four years. Pembina will continue to monitor power costs and seek out further opportunities to reduce this exposure. Pipeline maintenance costs have increased year-over-year, reflecting growth in assets under management and our continuing focus on integrity programs and preventative maintenance. Insurance costs continued to increase due to general market conditions.

Continued growth in Pembina's operations has necessitated an increase in the number of head office employees required to provide effective administration. General and administrative expenses totalled \$10.9 million in 2002, compared to \$9.0 million in the previous year. However, these costs have declined on a unit basis, to 4.0 cents per barrel from 4.5 cents per barrel in 2001, reflecting economies realized from asset aggregation.

Depreciation and amortization expense of \$68.0 million in 2002 increased from \$61.6 million in the prior year, the result of inclusion of the AOSPL assets into Pembina's depreciable asset base on December 31, 2001. The AOSPL assets are depreciated as specified by the long-term transportation agreement under which this system is administered. The rate of depreciation for these assets is tied to the remaining life of the agreement, which expires in 2035. Other pipeline assets and facilities are depreciated on a declining balance basis at rates ranging from three percent to nine percent per annum. These rates have been established to depreciate original costs over the economic or contractual duration of the related assets.

OPERATING COSTS



Interest expense of \$15.8 million in 2002 was roughly consistent with the 2001 total of \$15.3 million. Debt levels have remained relatively constant, year-over-year. The interest expense impact of a decline in short-term interest rates over the year was offset by the mid-year issuance of \$100 million in 15 year senior Notes at a fixed interest rate. The Notes were issued to replace bank debt at floating interest rates, thereby reducing Pembina's exposure to short-term rates and better aligning a portion of the debt with its long-life pipeline assets. Pembina's long-term debt of \$326 million outstanding at December 31, 2002 is structured in the following manner; \$100 million in Notes at a fixed rate of 7.38% until 2017, \$100 million in fixed rate interest rate swaps at an average rate of 6.09% for terms of one to four years; and, the balance of \$126 million in floating rate debt.

The Fund maintains a non-contributory defined benefit pension plan covering its 303 employees and 115 retirees. The plan obligations at the end of the year were \$42.7 million compared with the market value of the plan assets of \$32.0 million. \$2.2 million was expensed in 2002, compared to \$1.3 million in the prior year. A total provision of \$3.5 million is included in accounts payable and accrued liabilities. Pembina anticipates making a further provision of \$3.4 million in 2003. Assumptions under the plan are in line with industry standards.

The Fund is a unit trust for income tax purposes and as such is only taxable on any income that it has not distributed to Unitholders. As the Fund is required to distribute all of its income to Unitholders, there is no tax payable by the Fund. The Fund's subsidiaries are taxable and any income tax or future income tax liabilities are those of the subsidiaries. Future income tax liabilities of subsidiaries amounting to \$164.1 million represents the remaining temporary differences between the book value and tax value of capital assets at future statutory income tax rates. These differences were required to be recognized at the time of the initial acquisition of assets in 1997 and the acquisitions completed in 2000 and 2001. On recognition, an equivalent amount has been allocated to goodwill as the estimated depreciated replacement cost of the acquired assets approximated the book value of the assets. The future income tax reduction of \$21.7 million represents the annual change in the book value and tax value of assets at future statutory rates.



NET EARNINGS

<i>Years ended December 31, 2002 and 2001 (in million of dollars, except per Trust Unit amounts)</i>	2002 cents/bbl		2001 cents/bbl	
Revenue	\$ 224.5	82.4	\$ 191.7	96.8
Less: Operating Expense	89.0	32.6	71.4	36.0
Net Operating Income	135.5	49.8	120.3	60.8
Deduct/(add):				
Administration	11.8	4.3	9.8	4.9
Other (income) expense	0.8	0.3	(3.6)	(1.8)
Interest	15.8	5.8	15.3	7.7
Depreciation	68.0	25.0	61.6	31.1
Future tax reduction	(21.7)	(8.0)	(24.7)	(12.5)
Goodwill amortization	—	—	20.5	10.4
Income and other Taxes	1.2	0.5	1.1	0.6
Net Earnings	\$ 59.5	21.9	\$ 40.3	20.4
Net Earnings per Trust Unit*	\$ 0.65		\$ 0.52	

* Weighted average units outstanding

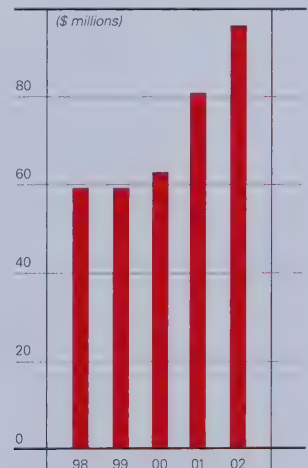
Net earnings of \$59.5 million in 2002 were \$19.3 million higher than the previous year. This is primarily the result of increased operating income associated with the AOSPL operations and the impact of the change in accounting for goodwill amortization. Net operating income increased by \$15.2 million, the result of inclusion of the AOSPL operations in 2002. This was offset by increases in administrative expense, lower Other Income reflecting lower sales of surplus assets in 2002, increased advisory fees incurred in 2002 and an increase in depreciation expense related to the AOSPL acquisition. A lower reduction in future taxes and the change in goodwill amortization during 2002 also contributed to the offset.

The Fund's accounting for goodwill changed effective January 1, 2002 in compliance with the new accounting standard, Section 3062 of the CICA Handbook, dealing with goodwill and other intangible assets. This new standard requires that goodwill not be amortized but tested for impairment on an annual basis. A goodwill impairment loss would be recognized when the carrying amount of goodwill exceeds its fair value. An impairment is determined by comparing the fair value of assets with the carrying value of property, plant and equipment including goodwill, less future taxes. As the fair value, based on the discounted future cash flows from operations, exceeded the carrying value for 2002, no impairment was required to be recognized. As of the date of adoption, the Fund had unamortized goodwill in the amount of \$222.7 million. This change in accounting policy resulted in a reduction in amortization expense and a corresponding increase in net earnings for the year.

DISTRIBUTED CASH

<i>Years ended December 31, 2002 and 2001 (in thousands of dollars, except per Trust Unit amounts)</i>	2002	2001
Net earnings	\$ 59,536	\$ 40,271
Add (deduct):		
Depreciation and amortization	67,973	82,141
Interest on convertible debentures	(7,318)	(4,026)
Future income tax reduction	(21,700)	(24,700)
Maintenance capital expenditures	(1,221)	(1,183)
Debt repayments	(5,625)	(7,500)
Decrease (increase) in distribution reserve	4,643	(4,090)
Distributed Cash	\$ 96,288	\$ 80,913
Distributed Cash per Trust Unit	\$ 1.05	\$ 1.05
Diluted Distributed Cash per Trust Unit	\$ 1.02	\$ 1.03

Distributed cash rose 19 percent in 2002 to \$96.3 million from \$80.9 million in the previous year. The December 2001 issuance of \$87.5 million of convertible debentures caused 2002 debenture interest to increase significantly over the prior year. Pembina has two convertible debenture issues outstanding. The 8.25 percent issue, which matures March 31, 2006, had \$19.1 million principal amount remaining at December 31, 2002 and the 7.5 percent issue, with a maturity date of June 30, 2007 had a remaining principal amount of \$57.3 million at year-end 2002. The provision for debt repayment declined from \$7.5 million in 2001 to \$5.6 million in 2002 as the repayment of a segment of Pembina's outstanding debt reduced the discretionary payment requirement. The distribution reserve decreased by \$4.6 million in 2002, leaving a balance on reserve of \$5.7 million at December 31st.

DISTRIBUTED CASH

2002 CASH DISTRIBUTIONS TO UNITHOLDERS

<i>(\$ per Trust Unit)</i>				
<i>Record Date</i>	<i>Payment Date</i>	<i>Other Taxable Income</i>	<i>Non- Taxable Amount</i>	<i>Total</i>
January 31, 2002	February 15, 2002	\$ 0.07443	\$ 0.01307	\$ 0.0875
February 28, 2002	March 15, 2002	0.07443	0.01307	0.0875
March 31, 2002	April 15, 2002	0.07443	0.01307	0.0875
April 30, 2002	May 15, 2002	0.07443	0.01307	0.0875
May 31, 2002	June 14, 2002	0.07443	0.01307	0.0875
June 30, 2002	July 15, 2002	0.07443	0.01307	0.0875
July 31, 2002	August 15, 2002	0.07443	0.01307	0.0875
August 31, 2002	September 13, 2002	0.07443	0.01307	0.0875
September 30, 2002	October 15, 2002	0.07443	0.01307	0.0875
October 31, 2002	November 15, 2002	0.07443	0.01307	0.0875
November 30, 2002	December 13, 2002	0.07443	0.01307	0.0875
December 31, 2002	January 15, 2003	0.07443	0.01307	0.0875
Total 2002 Cash Distributions		\$ 0.89316	\$ 0.15684	\$ 1.0500

The total distribution of \$1.05 per Unit represents income of which \$0.89316 per Unit is taxable “other income” and \$0.15684 per Unit is non-taxable. For most Unitholders, the non-taxable portion is considered a return of capital and will reduce the cost base of each Unit.

LIQUIDITY AND CAPITAL RESOURCES

In July 2002 the Fund’s wholly-owned subsidiary, Pembina Pipeline Corporation, completed a private placement of \$100 million senior secured Notes due 2017. The Notes rank equally with bank facilities and bear interest at 7.38% per annum, compounded semi-annually and payable monthly. Blended monthly payments of principal and interest are payable beginning September 1, 2005 through to August 1, 2017, the maturity date of the Notes, totalling \$12.5 million annually. The proceeds of this issue were applied to a \$65 million bank term facility which was repaid in full, and \$35 million applied to the then outstanding balance on the revolving credit facility.

Bank facilities consist of a \$230 million revolving credit facility and a \$30 million operating line of credit, currently reduced by outstanding letters of credit of \$3.6 million. \$211 million was drawn on the bank facilities at December 31, 2002. The revolving facility revolves until July 28, 2003 whereupon it is expected to be renewed for a further 364 days. A \$190 million revolving expansion facility, committed for funding the expansion of the Alberta Oil Sands Pipeline, matures on December 31, 2004. This facility was drawn \$15 million at December 31, 2002. Throughout the year, the Fund has been, and continues to be, in compliance with all of its debt covenants.

Pembina Pipeline Corporation, a wholly-owned subsidiary of the Fund, was assigned a long-term corporate credit rating of triple-‘B’ stable and a triple-‘B’-plus rating on its senior debt by Standard and Poor’s in November 2002. The rating recognizes the solid investment grade attributes of the pipeline business underlying the Fund.

At December 31, 2002, Pembina's senior debt to total capitalization was 23 percent. Pembina manages its capital structure to produce optimal performance while maintaining the lowest achievable cost of capital. Management has identified a long-term ratio of senior debt to total capitalization in the 30 to 35 percent range as a reasonable target for the Fund, given the long-term nature of its assets and stability of its operating and financial results.

Development capital spending totaled \$33.3 million in 2002. Of the total, \$14.7 million relates to the AOSPL system expansion. \$2.3 million was expended on three new crude oil production battery connections, \$8.9 million was spent to enable the restart of the southern portion of the Western system, and the balance of \$7.4 million was expended on upgrades to accommodate additional throughput at certain facilities and additions to existing infrastructure. A construction advance related to utility service on the AOSPL system of \$5.7 million was refunded to Pembina mid-year. Maintenance capital spending was \$1.2 million, similar to the prior year.

Insurance receivables have been reduced to \$3.9 million. \$2.5 million of the receivable represents costs yet to be incurred by Pembina, and relates to two incidents: the 12 inch LaGlace to Fox Creek pipeline break in 2001 on the Peace system and the Pine River spill on the Western system in 2000.

TRUST UNIT INFORMATION

	2002	2001
Trading Volume and Value		
Annual Total (# units)	42,984,251	30,074,920
Daily Average (# units/day)	168,566	119,820
Value Traded – annual (\$ thousands)	\$ 485,037	\$ 294,132
Trust Units Outstanding (# units)	93,583,360	87,855,529
Year-End Unit Trading Price (\$/unit)	\$ 10.90	\$ 11.31
Market Capitalization (\$ thousands at December 31)		
Market Value of Trust Units	\$ 1,020,059	\$ 993,650
8.25% Convertible Debentures ¹	\$ 23,111	\$ 46,060
7.50% Convertible Debentures ²	\$ 59,707	\$ 91,450
	\$ 1,102,877	\$ 1,131,160
Senior Debt (\$ thousands)	\$ 326,529	\$ 315,000
Total Capitalization	\$ 1,429,136	\$ 1,446,160

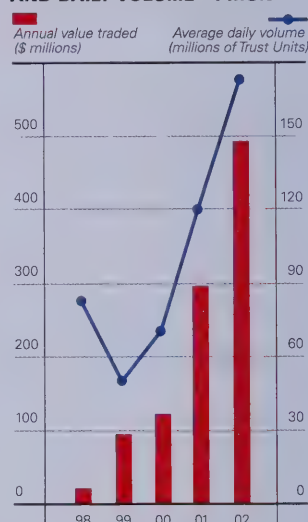
¹ \$19.1 million principal amount of 8.25% convertible debentures outstanding at a market price of \$121.00

² \$57.3 million principal amount of 7.50% convertible debentures outstanding at a market price of \$104.20

The total year-end market capitalization of the outstanding securities of the Fund for 2002 of \$1.1 billion was relatively consistent with the prior year level. The increase in trust units outstanding was offset by a marginal decline in unit trading price. Pembina's trust unit public float increased by 6.5% in 2002, primarily the result of trust unit issuances upon debenture conversions. The trading price of the trust units reached an all time high of \$12.03 per unit in the third quarter, before falling back in response to changing market conditions. Pembina's total capitalization of \$1.4 billion at December 31, 2002 was consistent with the 2001 year-end level. Debt to total capitalization of 23% at December 31, 2002 was modestly higher than the previous year and reflects Pembina's expanded capital program.

In January 2003 Pembina implemented a Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan. Under the Plan, participants are offered three options: to reinvest their distributions into units at 95 percent of a weighted average market price; to make an optional cash purchase of units at the weighted average market price; or to receive a cash premium of two percent over the regular distribution. The Plan provides Pembina with the opportunity to raise regular increments of equity on cost-effective terms. Pembina's objective for the Plan in 2003 is to raise \$2 million per month through the issuance of approximately 190,000 units from treasury, and during the first two months of operation of the Plan, Pembina has met its target. Proceeds arising from equity issuance under the Plan will be directed toward funding of Pembina's expanded development capital program, to make discretionary debt repayments and to offset future equity requirements associated with larger capital undertakings, such as the current AOSPL project. Based on Pembina's target for the program, minimal dilutive impact is expected.

ANNUAL VALUE TRADED AND DAILY VOLUME - PIBUN



CORPORATE GOVERNANCE PRACTICES

The Board of Directors of Pembina Pipeline Corporation, a wholly owned subsidiary of the Fund, is responsible for the overall governance of the Fund.

The Board is currently made up of seven directors, six of whom are unrelated (as that term is defined by the Toronto Stock Exchange guidelines). The other director is the President and Chief Executive Officer of Pembina Pipeline Corporation. All directors are elected by the Unitholders of the Fund at the annual meeting of the Fund. The Chairman of the Board is an unrelated director. The Directors meet at special and regularly scheduled meetings. The unrelated members of the Board have developed a practice of meeting separately from management at the conclusion of each meeting of the directors.

The Board has established three standing committees; namely, the Audit Committee, the Compensation Committee and the Health, Safety and Environment Committee. Each of the committees is made up of three members, each of whom are unrelated directors. These committees meet periodically during the year to fulfill the duties and responsibilities associated with their defined mandates. The Audit Committee meets at minimum quarterly intervals. Committee members meet with both management and the auditors of the Fund, as well as separately with the auditors.

The Board has approved the Corporate Governance Manual of the Fund that sets out the duties and expectations of the Board, its committees and the management of the Company. This document is updated and reviewed from time to time to ensure ongoing compliance with evolving corporate governance best practices.

OUTLOOK AND RISKS

Pembina's pipelines are connected to the considerable reserves of conventional crude oil and natural gas in northeast British Columbia and northwest and central Alberta. Pembina's AOSPL system provides exclusive pipeline transportation service to the Syncrude Project, presently Canada's largest producer of synthetic crude oil from oil sands. The AOSPL system, attached to the extensive oil sands reserves encompassed by the Syncrude leases, is currently undergoing significant expansion at the request of the Syncrude owners to facilitate transportation of incremental production associated with their current expansion. The capacity expansion of AOSPL will effectively double the return generating capital base of this system by 2004. The wide-ranging geographic scope of Pembina's pipeline network, and the diverse product stream transported combine to reduce Pembina's exposure to specific producing regions or products, and disseminates reserve and operating risk over a wide array of pipeline assets.

Industry forecasts suggest favourable conditions in the Canadian oil and natural gas industry in 2003, after the fourth best year ever for drilling activity in 2002, as industry participants respond to persistent strength in energy prices. Industry sources predict 2003 drilling activity near the record level set in 2001. The industry is off to a solid start in achieving this forecast as new well permits issued in Canada reached a new pinnacle in January 2003, recording a 40% year-over-year improvement over January 2002 and breaking through the previous high established in January 2001. Much of this activity is expected to take place in Alberta and northeastern British Columbia – the producing regions served by Pembina's pipeline systems. Projected increases in capital spending in 2003 by many of Pembina's pipeline customers is expected to positively impact throughput, as expenditures at existing connected facilities moderates natural declines and successful new drilling activity provides new throughput potential.

Pipeline safety and dependability is a primary focus at Pembina. A considerable proportion of Pembina's overall operating expenditures are directed toward regularly scheduled preventative maintenance programs which are augmented by technically sophisticated Supervisory Control and Data Acquisition (SCADA) and leak monitoring systems. These systems are designed to manage operational risk and provide for quick response in the event an incident occurs. A two-year program of SCADA system upgrades on newly acquired pipeline systems commenced in 2002. This program will include the establishment of a "back-up" control center in Drayton Valley, Alberta.

Commitment to safety and the environment starts at the top at Pembina. Safety and environmental audits are conducted on a regular and ongoing basis, with results reported to Pembina's management and Board of Directors. The Board has a committee of three independent directors who meet regularly to review safety and environmental practices. In the unfortunate event that an incident occurs, Pembina maintains a comprehensive insurance program, including seepage and pollution coverage.

Pembina is a fully committed member of the Canadian Voluntary Challenge Registry on Greenhouse Gas Emissions, and is proud to be recognized as a Silver Champion Level Reporter. Pembina supports the memorandum of agreement between the Canadian Association of Petroleum Producers and Natural Resources Canada on climate change voluntary actions. The memorandum calls for voluntary measures rather than regulation as the most effective means for achieving Canada's goal of reducing the emission

of greenhouse gases. Direct and indirect greenhouse gas emissions produced by Pembina's pipeline operations are small in relative terms, and as such limits Pembina's exposure and minimizes the impact of changing regulation on Pembina's operating results. However, the company recognizes the need for responsible action in this area and is committed to minimizing emissions and to evaluating opportunities for practical and economically justifiable reductions.

Pembina's Pipelines operate in a competitive environment and are not economically regulated, except on a complaints basis.

Pembina's Declaration of Trust states that no unitholder will be subject to any liability in connection with the Fund or its obligations and affairs and that each contract of the Fund is to contain a provision to the effect that unitholders will not have any personal liability or obligations in respect of that contract. Notwithstanding our attempts to limit unitholder liability, because of uncertainties relating to investment trusts, unitholders may not be protected from liabilities of the Fund to the same extent that a shareholder is protected from the liabilities of a corporation. However, Pembina intends to operate in a manner designed to avoid any material risk of liability to its unitholders for claims against the Fund. Pembina's operating pipeline businesses are indirectly carried on through corporations owned by the Fund, and this reduces risk even further. Considering the nature of the Fund's activities, that it intends to comply with all environmental regulations relating to its business and the insurance policies that the Fund and its operating subsidiaries hold, Pembina believes the possibility of any personal liability of this nature is remote.

The Fund has announced its 2003 target distribution objective of \$1.05 per Trust Unit, consistent with the distribution rate established over the prior two years. The successful realization of this objective will depend on actual 2003 operating and financial results that may vary from forecast. Based on what management believes to be realistic and somewhat conservative assumptions, this objective appears reasonable; however, as with any forecast, results are subject to potential variance – both favorable and unfavorable – that could cause actual results to vary considerably from expectations.

SELECTED QUARTERLY FINANCIAL INFORMATION

(In thousands of dollars, except where noted)	2002				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross Revenue	\$ 56,540	\$ 55,292	\$ 54,719	\$ 57,916	\$ 47,423	\$ 46,603	\$ 47,855	\$ 49,766
EBITDA	33,712	31,500	28,315	29,316	26,842	29,107	28,014	30,149
Net Earnings	16,754	18,601	12,190	11,991	5,401	16,793	8,498	9,579
Distributable Cash	23,481	23,953	24,316	24,538	19,648	19,879	20,065	21,321
Distributions per Trust Unit (\$/unit)	\$ 0.2625	\$ 0.2625	\$ 0.2625	\$ 0.2625	\$ 0.2625	\$ 0.2625	\$ 0.2625	\$ 0.2625
Weighted Average Units Outstanding (thousands)	89,448	91,250	92,629	93,478	74,847	75,732	76,437	80,841

Operating income and EBITDA are not recognized measures under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings, operating income and EBITDA are useful measures. They provide an indication of the results generated by the Fund's business activities prior to consideration of how the activities were financed or how the results are taxed. Investors should be cautioned, however, that operating income and EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Fund's performance.

Manager's Report

The consolidated financial statements of Pembina Pipeline Income Fund are the responsibility of Pembina Management Inc. (the "Manager"). The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the Manager's best estimates and judgments, where appropriate.

The Manager is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. In the preparation of these financial statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. The Manager believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

The Manager maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors is responsible for ensuring that the Manager fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising their responsibilities through the Audit Committee, which is composed of three non-management directors. The Committee meets periodically with the Manager and the auditors to satisfy itself that the Manager's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

KPMG LLP, the independent auditors, have audited the Fund's financial statements in accordance with Canadian generally accepted auditing standards and their report follows. The independent auditors have full and unrestricted access to the Audit Committee to discuss their audit and their related findings as to the integrity of the financial reporting process.



Robert B. Michaleski
President and
Chief Executive Officer

March 17, 2003



Peter D. Robertson
Vice President Finance and
Chief Financial Officer

Auditors' Report to the Unitholders

We have audited the consolidated balance sheets of Pembina Pipeline Income Fund as at December 31, 2002 and 2001 and the consolidated statements of earnings and cash flows for years then ended. These financial statements are the responsibility of the Fund manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

*Chartered Accountants
Calgary, Canada*

March 17, 2003

Consolidated Balance Sheets

December 31, 2002 and 2001 (In thousands of dollars)	2002	2001
Assets		
Current assets:		
Cash and term deposits	\$ 4,259	\$ 4,564
Accounts receivable	26,383	24,179
Insurance recoveries	3,909	9,250
	34,551	37,993
Property, plant and equipment (note 5)	998,341	1,036,889
Goodwill, net of accumulated amortization	222,670	222,670
	\$ 1,255,562	\$ 1,297,552
Liabilities and Unitholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 21,883	\$ 16,807
Clean up costs accrued	2,514	3,200
Distributions payable to Unitholders	8,189	7,687
Current portion of bank loan (note 6)	3,300	7,800
	35,886	35,494
Long term debt (note 6)	322,959	307,200
Future income taxes (note 11)	164,100	185,800
Unitholders' equity:		
Trust Units (note 7)	842,014	789,952
Convertible debentures (note 8)	73,873	118,306
Earnings to date	184,118	131,900
Distributions to date	(367,388)	(271,100)
	732,617	769,058
Commitments (note 14)		
	\$ 1,255,562	\$ 1,297,552

On behalf of the Board of
Pembina Pipeline Corporation:



Director



Director

See accompanying notes.

Consolidated Statements of Earnings

<i>Years Ended December 31, 2002 and 2001 (In thousands of dollars, except per Trust Unit amounts)</i>	2002	2001
Revenue	\$ 224,467	\$ 191,647
Expenses:		
Operations	88,972	71,368
General and administrative	10,851	8,983
Management fee	976	851
Other (income) expense	825	(3,667)
Depreciation and amortization	67,973	61,621
	169,597	139,156
Earnings before interest and taxes	54,870	52,491
Interest expense	(15,835)	(15,310)
Earnings before taxes and goodwill amortization	39,035	37,181
Capital taxes	(1,199)	(1,090)
Future income tax reduction <i>(note 11)</i>	21,700	24,700
Net earnings before goodwill amortization	59,536	60,791
Goodwill amortization		(20,520)
Net earnings	59,536	40,271
Earnings to date, beginning of year	131,900	95,655
Interest on convertible debentures	(7,318)	(4,026)
Earnings to date, end of year	\$ 184,118	\$ 131,900
Earnings per Trust Unit before goodwill amortization <i>(note 9)</i>		
Basic	\$ 0.65	\$ 0.79
Diluted	\$ 0.59	\$ 0.73
Earnings per Trust Unit <i>(note 9)</i>		
Basic	\$ 0.65	\$ 0.52
Diluted	\$ 0.59	\$ 0.49

See accompanying notes.

Consolidated Statements of Cash Flows

<i>Years Ended December 31, 2002 and 2001 (In thousands of dollars)</i>	2002	2001
Cash provided by (used in):		
Operations:		
Net earnings	\$ 59,536	\$ 40,271
Items not involving cash:		
Depreciation and amortization	67,973	82,141
Future income tax reduction	(21,700)	(24,700)
Other	408	409
Cash flow from operations	106,217	98,121
Changes in non-cash working capital <i>(note 10)</i>	761	(5,229)
	106,978	92,892
Financing:		
Issue of senior notes, net of issue costs	98,630	
Bank borrowings	21,259	233,000
Repayment of bank loan	(110,000)	(247,423)
Issue of convertible debentures		142,372
Issue of Trust Units <i>(note 7)</i>	7,629	100,237
Distributions to Unitholders – current year	(88,099)	(73,226)
Distributions to Unitholders – prior year	(7,687)	(5,937)
Interest on convertible debentures	(8,207)	(2,567)
	(86,475)	146,456
Investments:		
Acquisition of AOSPL <i>(note 4)</i>		(222,220)
Development capital expenditures	(27,242)	(10,389)
Maintenance capital expenditures	(1,221)	(1,183)
Changes in non-cash working capital	7,655	
	(20,808)	(233,792)
Change in cash and term deposits	(305)	5,556
Cash and term deposits (bank indebtedness), beginning of year	4,564	(992)
Cash and term deposits, end of year	\$ 4,259	\$ 4,564

See accompanying notes.

Notes to Consolidated Financial Statements

Years ended December 31, 2002 and 2001

(Tabular amounts stated in thousands of dollars, except Trust Unit amounts)

1. STRUCTURE OF THE FUND:

Pembina Pipeline Income Fund (the "Fund") is an open-ended, single purpose trust formed under the laws of the Province of Alberta pursuant to a declaration of trust dated September 4, 1997 as amended from time to time. The Fund commenced operations on October 24, 1997 when it acquired all of the shares and notes of Pembina Pipeline Corporation ("Pembina") which owns or has interests in pipelines and related facilities to deliver crude oil, condensates and natural gas liquids in Alberta and British Columbia.

The Fund makes monthly distributions of its distributable cash to Unitholders of record on the last day of each calendar month. The amount of the distributions per Trust Unit are equal to the pro-rata share of interest income (and in certain circumstances repayment of principal) on the Pembina notes and dividends (and in certain circumstances repayment of capital) on the Pembina shares less expenses of the Fund and cash redemptions of Trust Units.

Pursuant to the Fund's distribution policy, it will pay interest, principal, dividends and capital subject to retaining an appropriate distribution reserve, satisfying its financing covenants, making loan repayments and, if applicable, funding future removal and site restoration reserves. Pembina's maintenance capital expenditures are expected to be funded from available cash while ongoing pipeline development, expansions and acquisitions of pipeline assets and related facilities will be funded primarily through borrowings by Pembina or issuance of additional Trust Units by the Fund.

Pembina is managed by Pembina Management Inc. (the "Manager") pursuant to a management agreement. As compensation for its services, the Manager is entitled to:

- (a) a management fee equal to 0.9675% of distributed cash;
- (b) an acquisition fee of 0.645% of the purchase price of any material pipeline asset or facility acquired or swapped;
- (c) a disposition fee of 0.48375% of the sales price of any material pipeline asset or facility sold; and
- (d) an annual incentive fee calculated as a percentage of distributed cash per Trust Unit as follows: 4.8375% of such distribution equal to or in excess of \$1.05 per Trust Unit annually but less than \$1.09 per Trust Unit annually; 6.45% of such distribution equal to or in excess of \$1.09 per Trust Unit annually but less than \$1.19 per Trust Unit annually; and 7.74% of such distribution equal to or in excess of \$1.19 per Trust Unit annually.

Prior to June 30, 2001, the management fee was 0.87% of distributed cash, 0.58% of any material acquisition and 0.435% of any material disposition. The annual incentive was increased by 11% on July 1, 2001.

In 2002 the Manager was paid a fee of \$1.0 million (2001 – \$0.8 million) and acquisition fees of nil (2001 – \$1.5 million).

Pursuant to an administration agreement, as compensation for its administrative services to the Fund, the Manager receives an annual fee of \$20,000.

2. SIGNIFICANT ACCOUNTING POLICIES:

The preparation of these consolidated financial statements requires the use of estimates and assumptions which have been made using careful judgment. In the opinion of the Manager, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles.

Principles of consolidation

These consolidated financial statements include the accounts of the Fund, its wholly owned subsidiary companies and partnerships, its 50% operating interest in Taylor Pipeline, its 50% non-operating interest in Bonnie Glen Pipeline and its 10% non-operating interest in Wabasca River Pipeline. As the Fund's undivided interests in Taylor, Bonnie Glen and Wabasca are with others, the accounts reflect only its proportionate interest in such activities.

Cash and term deposits

The Fund's short term investments with maturities of ninety days or less are considered to be cash equivalents and are recorded at cost which approximates market value.

Operating inventories

Operating inventories are stated at the lower of cost and net realizable value.

Property, plant and equipment

Development capital expenditures (upgrades and expansions) and maintenance capital expenditures (major renewals and improvements) are capitalized at cost. Maintenance and repair costs are expensed as incurred. Interest is capitalized during the construction phase of large expansions.

Depreciation

Pipeline assets and facilities are depreciated using the declining balance method at rates ranging from 3% to 9% per annum. These rates are established to depreciate original costs over the economic lives or contractual duration of the related assets.

Future removal and site restoration obligation

A provision for future removal and site restoration obligations of the Fund's subsidiaries has not been made. The future costs of abandonment will be a function of several factors, including regulatory requirements at the time of abandonment and the pipeline's size and location. Abandonment requirements will vary, ranging from emptying the pipeline to removal of the pipeline and reclamation of the right-of-way. It is expected that portions of the pipeline assets will be abandoned over time, and the costs of smaller abandonments and restoration, not expected to be material in any one year, will be charged to operating expense. At such time as the cost of abandoning substantial portions of the pipeline assets can reasonably be determined, estimated costs will be provided over the remaining life of the pipeline assets. It is expected that these costs will be recovered through future tolls, and as such, are not expected to have a material effect on the Fund's consolidated financial position.

Income taxes

Income taxes, based on current legislation, are recorded on the liability method of accounting as the subsidiaries are projected to be taxable in the future. Income tax obligations relating to distributions from the Fund are the obligations of the Unitholders. Accordingly, no provision for income taxes on the earnings of the Fund have been made.

Future income tax liabilities of subsidiaries are recognized on acquisitions and reflect the difference between the book value and tax value of capital assets at future statutory income tax rates. On recognition an equivalent amount is allocated to property, plant and equipment or, if the consideration paid approximates the estimated depreciated replacement cost, then the allocation is to goodwill. The future income tax reduction represents the change in these amounts during the year.

Goodwill

Goodwill represents the estimated tax costs of the difference between the fair value and the tax base of assets acquired through business combinations. Goodwill is subject to an annual impairment test and an impairment loss is recognized when the carrying amount of goodwill exceeds its fair value. The measurement methodology used to evaluate whether there is a permanent impairment in the value of the unamortized portion of goodwill is based on discounted cash flows.

Employee pension plan

The Fund maintains a non-contributory defined benefit pension plan covering its employees. The cost of pension benefits earned by employees in the defined benefit plan is charged to earnings as services are rendered using the projected benefit method prorated on service. The cost of the defined benefit plan reflects management's estimate of the rate of return on pension plan assets, salary escalations, mortality and other factors affecting the payments of future benefits. Adjustments arising out of plan amendments, changes in assumptions and experience gains and losses are normally amortized over the expected remaining average service life of the employee group.

Risk management

The Fund uses derivative financial instruments and commodity purchase contracts to manage exposure to interest rates and power costs, respectively. The Fund does not use financial instruments for trading or speculative purposes.

The Fund enters into interest rate swaps to hedge financing costs and interest rate fluctuations. Both at inception and on an ongoing basis, the Fund assesses the effectiveness of the cash flows of the swaps to offset the cash flows of the hedged debt instruments. Net receipts and payments are included in net earnings as part of interest expense.

The Fund uses fixed price commodity purchase contracts to manage volatility in power prices. The payments are recognized in income as a component of operating costs.

Unit based compensation

Effective January 1, 2002, the Fund prospectively adopted the new standard on accounting for options or similar unit based compensation. For options or similar instruments granted to non-employees, an amount equal to the grant date fair value of the instrument is recorded as a charge to earnings over the vesting period. For unit based compensation granted to employees, the Fund elected to continue to record considerations paid by employees or directors on the exercise of unit options as a capital transaction. Compensation costs under the fair value method has been disclosed on a pro forma basis.

3. ACCOUNTING CHANGE:**Goodwill and other intangible assets**

Effective January 1, 2002, the Fund prospectively adopted Section 3062, Goodwill and Other Intangible Assets. This new standard requires that goodwill not be amortized but tested for impairment on an annual basis. A goodwill impairment loss should be recognized when the carrying amount of goodwill exceeds its fair value. The change in accounting policy resulted in a reduction in amortization expense and a corresponding increase in net earnings of \$21.9 million (\$0.24 per Trust Unit) for the year ended December 31, 2002.

4. ACQUISITION:

The acquisition of Alberta Oil Sands Pipeline Ltd. has been accounted for by the purchase method of accounting. The acquisition was completed on December 31, 2001 and the results of operations have been accounted for from this date.

Net assets acquired:	
Property, plant and equipment	\$ 229,850
Current assets	751
Current liabilities	(8,381)
Goodwill	28,300
Future income taxes	(28,300)
	\$ 222,220
Consideration:	
Cash	\$ 215,220
Transaction costs	7,000
	\$ 222,220

5. PROPERTY, PLANT AND EQUIPMENT:

	2002	2001
Pipeline assets and facilities, at cost		
In use	\$ 1,235,089	\$ 1,221,081
Under construction	14,389	
	1,249,478	1,221,081
Less accumulated depreciation	(256,051)	(189,489)
	993,427	1,031,592
Other assets, net of accumulated amortization	2,128	2,577
Operating inventory	2,786	2,720
	\$ 998,341	\$ 1,036,889

Included in pipeline assets and facilities under construction is capitalized interest on the AOSPL expansion of \$0.1 million.

Removal and site restoration costs expensed during 2002 was \$ 1.0 million (2001 – \$1.2 million).

6. LONG-TERM DEBT:

	Available facilities at December 31, 2002	2002	2001
Bank facilities:			
Operating facility	\$ 30,000	\$ 6,259	\$
Revolving credit facility	230,000	205,000	250,000
Revolving credit facility	190,000	15,000	
Term loan			65,000
Private placement notes	100,000	100,000	
		326,259	315,000
Less current portion		(3,300)	(7,800)
Balance December 31		\$ 322,959	\$ 307,200

The credit facilities are syndicated facilities established with Canadian chartered banks (collectively, the "Facilities"). The \$230 million revolving credit facility and the \$30 million operating facility will revolve until July 28, 2003 when it is expected to be renewed for a further 364 days. If the lenders do not extend the facility, the amounts become repayable over four years with 25% of the principal due in equal quarterly payments over four years with the balance due at the end of the term. The \$190 million revolving credit facility, committed for funding the future expansion of the Alberta Oil Sands Pipeline, matures on December 31, 2004.

Borrowings bear interest at the bank's prime lending rates, bankers' acceptances rates plus stamping fees or U.S. LIBOR rates plus applicable margins. The margins vary depending on specified financial ratios and can range from nil to 1.75%. The Facilities are secured by a floating charge debenture on the assets of the Fund and its subsidiaries, guarantees of the subsidiaries and a pledge of the subsidiaries' shares.

At December 31, 2002 the \$30 million available under the operating facility was reduced by outstanding letters of credit aggregating \$3.6 million (2001 – \$3.5 million).

In July Pembina Pipeline Corporation completed a private placement of \$100 million senior secured notes due 2017 (the "Notes"). The Notes bear interest at 7.38% per annum, compounded semi-annually and payable monthly in arrears. Blended monthly payments of principal and interest of approximately \$1.0 million are payable on the first day of each month beginning September 2005 through August 2017. The Notes and Facilities rank equally with one another and are subject to the maintenance of certain financial ratios.

During 2002 the Fund paid interest of \$12.4 million (2001 – \$15.3 million) on the bank facilities and \$3.4 million on the Notes.

In 2001 the Fund entered into interest rate swaps for a notional amount aggregating \$100 million whereby the Fund receives a floating rate and pays a fixed rate averaging 6.09%. The swaps mature from time to time up to August 29, 2006. The fair value of the swaps at December 31, 2002 was an unrecognized loss of \$3.3 million.

Scheduled repayments of bank loans, in the event that the bank facilities are not renewed, together with scheduled payments of principal on the Notes in the next five years are as follows:

Year	Bank Facilities	Notes	Total
2003	\$ 3,300	\$	\$ 3,300
2004	28,204		28,204
2005	13,204	1,764	14,968
2006	13,204	5,555	18,759
2007	168,347	5,973	174,320
	\$ 226,259	\$ 13,292	\$ 239,551

7. TRUST UNITS:

The Fund is authorized to create and issue an unlimited number of Trust Units.

	Trust Units	Amount
Balance, January 1, 2001	74,217,500	\$ 665,648
Exercise of Unit options	2,213,374	17,070
Debenture conversions	2,654,545	24,066
Distribution Reinvestment Plan	20,110	203
New issue, net of costs	8,750,000	82,965
Balance, December 31, 2001	87,855,529	789,952
Exercise of Unit options	901,370	6,896
Debenture conversions	4,761,519	44,433
Distribution Reinvestment Plan	64,942	733
Balance, December 31, 2002	93,583,360	\$ 842,014

Trust Units are redeemable at any time at the option of the holder. The redemption price is equal to the lesser of 95% of the average market price of the Trust Units during a 10 day period commencing immediately after the redemption date and the closing market price on the redemption date. The total amount payable by the Fund in respect of redemptions in any calendar month shall not exceed \$250,000. To the extent that a Unitholder is not entitled to receive cash upon the redemption of the Trust Units, the redemption price shall be satisfied by way of the Fund distributing a pro-rata number of Pembina notes, shares or securities of other businesses, if any, acquired from time to time.

The continuation of a unitholders rights plan was approved by the Unitholders on May 2, 2002. If a bid to acquire control of the Fund is made, the plan is designed to give the board of directors time to consider alternatives to allow Unitholders to receive full and fair value for their units. In the event that a bid, other than a permitted bid, is made, Unitholders become entitled to exercise rights to acquire Units of the Fund at 50% of market value.

The Fund has a Trust Unit Option Plan under which directors, officers and employees are eligible to receive options. The number of units reserved is limited to 6,242,500 Trust Units, subject to increase with the approval of the Unitholders. The options vest on the date of their grant and expire seven calendar years after their grant.

The following tables summarize information about the trust unit options at December 31, 2002 and 2001:

Trust Unit Options	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, January 1, 2001	3,588,200	\$ 7.76
Granted	100,200	9.76
Exercised	(2,213,374)	7.68
Outstanding and exercisable, December 31, 2001	1,475,026	8.02
Granted	1,532,700	10.56
Exercised	(901,370)	7.89
Outstanding and exercisable, December 31, 2002	2,106,356	\$ 9.92

Exercise Price	Number Outstanding at December 31, 2002	Weighted Average Remaining Life (Years)
\$ 6.75	32,950	3.9
\$ 7.95	191,206	4.8
\$ 8.05	56,500	4.7
\$ 8.35	242,900	3.1
\$ 9.76	50,100	6.1
\$ 10.56	1,532,700	6.9
\$ 6.75 to \$ 10.56	2,106,356	6.2

The weighted average fair value of the options granted during the year ended December 31, 2002 was \$0.20 per option using the Black-Scholes option pricing model with the following weighted average assumptions: dividend yield 10%, expected volatility 14%, risk free interest rate of 5%, and an expected life of seven years. Had compensation cost for options granted to employees been calculated based on the fair value method, net earnings would be reduced by \$0.3 million.

In 2001 the Fund instituted a Distribution Reinvestment Plan ("DRIP") entitling Unitholders to reinvest cash distributions in additional Units. In January 2003 the Fund modified the existing DRIP and adopted a Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan. This Plan allows participants an opportunity, under the distribution reinvestment component of the plan, to reinvest distributions into trust units at a five percent discount to a weighted average market price or, alternatively, under the premium distribution component of the Plan, to realize two percent more cash on their distributions. Eligible unitholders can also make optional trust unit purchases at the weighted average market price.

8. CONVERTIBLE DEBENTURES:

	8.25%	7.50%	Total
Balance, January 1, 2001			
New issue, net of costs	\$ 57,657	\$ 84,715	\$ 142,372
Conversions	(22,841)	(1,225)	(24,066)
Balance, December 31, 2001	34,816	83,490	118,306
Conversions	(16,442)	(27,991)	(44,433)
Balance, December 31, 2002	\$ 18,374	\$ 55,499	\$ 73,873

In March 2001, the Fund issued \$60.0 million in 8.25% convertible unsecured subordinated debentures maturing on March 31, 2006 (the "Debentures"). The proceeds of the issue, net of underwriters fees and costs, were \$57.7 million. The Debentures may be converted at the option of the holder at a conversion price of \$9.00 per Trust Unit at any time prior to maturity and may be redeemed by the Fund after April 1, 2004. The Fund may, at its option, after April 1, 2004 elect to redeem the Debentures by issuing Trust Units. The Fund can elect to pay interest on the debentures by issuing Trust Units.

In December 2001, the Fund issued \$87.5 million in 7.50% convertible unsecured subordinated debentures maturing on June 30, 2007 (the "Debentures"). The proceeds of the issue, net of underwriters fees and costs, were \$84.7 million. The Debentures may be converted at the option of the holder at a conversion price of \$10.50 per Trust Unit at any time prior to maturity and may be redeemed by the Fund after June 30, 2005. The Fund may, at its option, after June 30, 2005 elect to redeem the Debentures by issuing Trust Units. The Fund can elect to pay interest on the debentures by issuing Trust Units.

9. EARNINGS PER UNIT:

The net earnings per Unit are based on the weighted average units outstanding for the year of 91,700,000 (2001 – 77,084,000).

In computing diluted earnings per Trust Unit, 9,825,000 Units (2001 – 5,741,000) were added to the weighted average number of Units outstanding for the dilutive effect of employee Unit options and convertible debentures.

10. CHANGE IN NON-CASH WORKING CAPITAL:

	2002	2001
Accounts receivable	\$ (2,204)	\$ 985
Insurance recoveries	5,341	8,750
Accounts payable	5,076	(9,112)
Clean up costs accrued	(686)	(4,393)
Debenture interest accrued	889	(1,459)
	\$ 8,416	\$ (5,229)
Operations	\$ 761	\$ (5,229)
Investments	\$ 7,655	

11. INCOME TAXES:

The components of the subsidiaries' future income tax liability are as follows:

	2002	2001
Difference between book values and tax values of property, plant and equipment	\$ 164,878	\$ 186,221
Other	(778)	(421)
	\$ 164,100	\$ 185,800

The provision for income taxes in the financial statements differs from the result which would have been obtained by applying the combined federal and provincial tax rate to the Fund's earnings before taxes. This difference results from the following items:

	2002	2001
Earnings before taxes	\$ 39,035	\$ 37,181
Combined federal and provincial tax rate	35.1%	35.6%
Computed "expected" income tax expense	\$ 13,700	\$ 13,200
Interest deductions of subsidiaries arising from Intercompany debt	(32,800)	(28,900)
Reduction in provincial income tax rates	(2,600)	(9,000)
Future income tax reduction	\$ (21,700)	\$ (24,700)

The operations of the Fund and its subsidiaries are complex, and related tax interpretations, regulations and legislation are continually changing. As a result, there are tax matters that have not yet been confirmed by taxation authorities. The Fund believes the provision made for income taxes is adequate.

12. EMPLOYEE FUTURE BENEFITS:

The Fund's subsidiary maintains a non-contributory defined benefit pension plan covering its employees. The plan provides benefits based on projections of employees' compensation levels to the time of retirement.

Information about the defined benefit plan is as follows:

	2002	2001
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	\$ 41,021	\$ 39,177
Current service cost	2,147	1,878
Interest cost	2,872	2,631
Benefits paid	(2,188)	(2,413)
Actuarial (gain) loss	(1,197)	2,541
Impact of transition		(2,793)
Accrued benefit obligation, end of year	\$ 42,655	\$ 41,021
Plan assets		
Fair value of plan assets, beginning of year	\$ 37,546	\$ 40,958
Annual return on plan assets	(3,400)	(999)
Benefits paid	(2,188)	(2,413)
Fair value of plan assets, end of year	\$ 31,958	\$ 37,546
Funded status		
Deficit	\$ (10,697)	\$ (3,475)
Unamortized net actuarial loss	10,955	6,207
Unamortized transitional asset	(3,711)	(3,996)
Accrued benefit liability	\$ (3,453)	\$ (1,264)

The significant actuarial assumptions adopted in measuring the accrued benefit obligations are as follows:

	2002	2001
Discount rate	6.8%	7.1%
Expected long-term rate of return on plan assets	7.5%	7.5%
Rate of compensation increase	5.0%	5.0%

The net benefit plan expense is as follows:

	2002	2001
Current service cost	\$ 2,147	\$ 1,878
Interest cost	2,872	2,631
Expected return on plan assets	(2,734)	(2,960)
Amortization of transitional asset	(285)	(285)
Amortization of net actuarial loss	189	
Net benefit plan expense	\$ 2,189	\$ 1,264

The Fund has a non-pension post employment benefit plan which has an unfunded benefit obligation of \$1.5 million (2001 – \$1.3 million) and a net benefit plan expense of \$0.1 million (2001 – \$0.1 million).

13. FINANCIAL INSTRUMENTS:

Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities included in current assets and current liabilities approximate their fair value due to the relatively short periods to maturity. The Bank facilities approximate their fair value due to the indexed rates except for the \$100 million hedged by the interest rate swaps (see note 6).

The fair value of the private placement notes approximates their carrying value as the rates on the notes do not vary significantly from market rates.

Interest rate risk

At December 31, 2002 the Fund was exposed to changes in interest rates on \$126.3 million of bank borrowings. The Fund has fixed the interest rate on the remaining \$100 million of bank borrowings through interest rate swaps (see note 6).

Credit risk

A major portion of the accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks. The Fund has historically collected its accounts receivable in full. The Fund has the ability to exercise lien rights on oil and natural gas liquids which are in custody of the Fund during the transportation of such product on the pipelines.

14. COMMITMENTS:

The Fund has entered into electricity purchase contracts to fix approximately 50% of the estimated power requirements. The Fund is also committed to payments under various operating leases for equipment and buildings. Annual payments are as follows:

	Power Contracts	Operating Leases
2003	\$ 5,815	\$ 2,573
2004	6,328	2,161
2005	6,328	1,607
2006	3,175	1,014
2007		151

In conjunction with the acquisition of AOSPL, the Fund has committed to capital expenditures of \$200 million to expand this system. Approximately \$15.0 million was spent in 2002. \$140.0 million is expected to be spent in 2003 with the remaining completion costs to be incurred in 2004. The expenditures will be funded through existing bank facilities.

Supplementary Information *(unaudited)*

QUARTERLY FINANCIAL STATISTICS

(\$000's except per Trust Unit)	2002				Year Ended Dec. 31/02	Year Ended Dec. 31/01
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter		
Operating revenue	\$ 56,540	\$ 55,292	\$ 54,719	\$ 57,916	\$ 224,467	\$ 191,647
Operating expense	19,595	21,023	23,528	24,826	88,972	71,368
General and administrative	2,859	2,456	2,538	2,998	10,851	8,983
Management fee	227	233	234	282	976	851
Other (income) expense	147	80	104	494	825	(3,667)
Depreciation and amortization	16,645	16,350	18,428	16,550	67,973	61,621
Earnings before interest and taxes	17,067	15,150	9,887	12,766	54,870	52,491
Interest	3,613	3,249	4,397	4,576	15,835	15,310
Capital and other taxes	300	300	300	299	1,199	1,090
Future income tax reduction	(3,600)	(7,000)	(7,000)	(4,100)	(21,700)	(24,700)
Net earnings before goodwill amortization	16,754	18,601	12,190	11,991	59,536	60,791
Goodwill amortization	0	0	0	0	0	20,520
Net earnings	16,754	18,601	12,190	11,991	59,536	40,271
Add/(Deduct):						
Depreciation and amortization	16,645	16,350	18,428	16,550	67,973	82,141
Interest on convertible debentures	(2,187)	(1,903)	(1,729)	(1,499)	(7,318)	(4,026)
Future income tax reduction	(3,600)	(7,000)	(7,000)	(4,100)	(21,700)	(24,700)
Maintenance capital expenditures	(495)	(293)	(148)	(285)	(1,221)	(1,183)
Debt repayments	(1,875)	(1,875)	(1,875)	0	(5,625)	(7,500)
Changes in distribution reserve	(1,761)	73	4,450	1,881	4,643	(4,090)
Distributed cash	\$ 23,481	\$ 23,953	\$ 24,316	\$ 24,538	\$ 96,288	\$ 80,913
Trust Units Outstanding <i>(end of period in thousands)</i>	90,058	91,651	93,101	93,583	93,583	87,856
Distributed Cash per Trust Unit	\$ 0.2625	\$ 0.2625	\$ 0.2625	\$ 0.2625	\$ 1.0500	\$ 1.0500
– taxable "Income from a Trust"	\$ 0.2232	\$ 0.2232	\$ 0.2232	\$ 0.2232	\$ 0.8932	\$ 0.9008
– return of capital	\$ 0.0393	\$ 0.0393	\$ 0.0393	\$ 0.0393	\$ 0.1568	\$ 0.1493

continued

Supplementary Information *(unaudited)*

QUARTERLY OPERATING STATISTICS

	2002				Year Ended Dec. 31/02	Year Ended Dec. 31/01
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter		
Pipeline Throughput By Pipeline System <i>(thousands of barrels per day)</i>						
Alberta	479.7	466.4	463.0	478.1	471.8	500.8
BC	28.6	17.5	11.1	11.9	17.2	11.3
AOSPL	234.7	183.6	253.9	267.4	235.0	0.0
Total Pipeline Throughput	743.0	667.5	728.0	757.4	724.0	512.1
Average Tariff <i>(\$ per barrel)</i> ¹	0.96	0.97	0.98	0.98	0.97	0.95

TRUST UNIT TRADING ACTIVITY²

	2002				Year Ended Dec. 31/02	Year Ended Dec. 31/01
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter		
Unit Trading Price – High	\$ 11.65	\$ 11.65	\$ 12.03	\$ 11.75	\$ 12.03	\$ 11.45
– Low	\$ 10.75	\$ 10.91	\$ 9.75	\$ 10.25	\$ 9.75	\$ 8.50
– Close	\$ 11.42	\$ 11.50	\$ 11.65	\$ 10.90	\$ 10.90	\$ 11.31
Volume Traded <i>(number of trust units)</i>	11,619,752	11,066,838	8,479,978	11,817,683	42,984,251	30,074,920
Value Traded <i>(dollars)</i>	131,303,599	125,977,997	97,213,545	130,541,967	485,037,108	294,132,329
Trust Units Outstanding <i>(end of period)</i>	90,057,695	91,651,233	93,100,844	93,583,360	93,583,360	87,855,529
Trust Units Outstanding <i>(weighted average)</i>	89,448,000	91,250,000	92,629,000	93,478,000	91,700,000	77,084,000

HISTORIC UNITHOLDER DISTRIBUTIONS AND TAX TREATMENT³

	1997	1998	1999	2000	2001	2002
Total Annual Distribution						
Declared <i>(\$ per Trust Unit)</i>	0.140000	0.950000	0.950000	0.960000	1.050000	1.050000
Return of Capital	0.040800	0.331100	0.167000	0.189792	0.149232	0.156840
Cost Base – beginning of period	10.000000	9.959200	9.628100	9.461100	9.271308	9.122076
Less: Return of Capital	0.040800	0.331100	0.167000	0.189792	0.149232	0.156840
Cost Base – end of period	9.959200	9.628100	9.461100	9.271308	9.122076	8.965236

¹ Average calculated tariff, excluding AOSPL volume and revenue.

² Pembina Pipeline Income Fund trust units trade on the Toronto Stock Exchange under the symbol PIFUN.

³ Cost base for units held from inception (October 1997).

CONSOLIDATED BALANCE SHEETS

December 31, 2002, 2001, 2000, 1999 and 1998 (In thousands of dollars)	2002	2001	2000	1999	1998
Assets					
Current assets:					
Cash and term deposits	\$ 4,259	\$ 4,564	\$	\$ 1,882	
Accounts receivable	26,383	24,179	24,413	11,575	12,913
Insurance recoveries	3,909	9,250	18,000		
	34,551	37,993	42,413	11,575	14,795
Property, plant and equipment	998,341	1,036,889	857,496	499,977	528,022
Goodwill	222,670	222,670	214,890	155,200	169,300
	\$ 1,255,562	\$ 1,297,552	\$ 1,114,799	\$ 666,752	\$ 712,117
Liabilities and Unitholders' Equity					
Current liabilities:					
Bank indebtedness	\$	\$	\$ 992	\$ 901	\$
Accounts payable and accrued liabilities	21,883	16,807	17,538	5,750	4,175
Clean up costs accrued	2,514	3,200	7,593		
Distributions payable to Unitholders	8,189	7,687	5,937	4,372	4,370
Current portion of bank loan	3,300	7,800	86,000		
	35,886	35,494	118,060	11,023	8,545
Long term debt	322,959	307,200	243,423	5,891	
Future income taxes	164,100	185,800	182,200	155,200	169,300
Unitholders' equity:					
Trust Units	842,014	789,952	665,648	578,840	578,473
Convertible debentures	73,873	118,306			
Earnings to date	184,118	131,900	95,655	43,167	23,843
Distributions to date	(367,388)	(271,100)	(190,187)	(127,369)	(68,044)
	732,617	769,058	571,116	494,638	534,272
	\$ 1,255,562	\$ 1,297,552	\$ 1,114,799	\$ 666,752	\$ 712,117

continued

Supplementary Information *(unaudited)***CONSOLIDATED STATEMENTS OF EARNINGS**

<i>Years Ended December 31, 2002, 2001, 2000, 1999 and 1998 (in thousands of dollars, except per Trust Unit amounts)</i>					
	2002	2001	2000	1999	1998
Revenue	\$ 224,467	\$ 191,647	\$ 136,190	\$ 101,335	\$ 108,679
Expenses:					
Operations	88,972	71,368	52,475	36,576	38,301
General and administrative	10,851	8,983	6,864	6,348	8,332
Management fee	976	851	547	890	890
Other (income) expense	825	(3,667)	(3,548)	(1,424)	(287)
Depreciation and amortization	67,973	61,621	48,243	39,014	41,765
	169,597	139,156	104,581	81,404	89,001
Earnings before interest and taxes	54,870	52,491	31,609	19,931	19,678
Interest expense	(15,835)	(15,310)	(11,421)	(325)	
Earnings before taxes and goodwill amortization	39,035	37,181	20,188	19,606	19,678
Capital taxes	(1,199)	(1,090)	(390)	(282)	(391)
Future income tax reduction	21,700	24,700	50,000	14,100	15,000
Net earnings before goodwill amortization	59,536	60,791	69,798	33,424	34,287
Goodwill amortization		(20,520)	(17,310)	(14,100)	(15,000)
Net earnings	59,536	40,271	52,488	19,324	19,287
Earnings to date, beginning of year	131,900	95,655	43,167	23,843	4,556
Interest on convertible debentures	(7,318)	(4,026)			
Earnings to date, end of year	\$ 184,118	\$ 131,900	\$ 95,655	\$ 43,167	\$ 23,843
Earnings per Trust Unit	\$ 0.65	\$ 0.52	\$ 0.80	\$ 0.31	\$ 0.31
Diluted earnings per Trust Unit	\$ 0.59	\$ 0.49	\$ 0.80	\$ 0.31	\$ 0.31

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>Years Ended December 31, 2002, 2001, 2000, 1999 and 1998 (In thousands of dollars, except per Trust Unit amounts)</i>					
	2002	2001	2000	1999	1998
Cash provided by (used in):					
Operations:					
Net earnings	\$ 59,536	\$ 40,271	\$ 52,488	\$ 19,324	\$ 19,287
Items not involving cash:					
Depreciation and amortization	67,973	82,141	65,553	53,114	56,765
Future income tax reduction	(21,700)	(24,700)	(50,000)	(13,738)	(14,412)
Other	408	409	409		
Cash flow from operations	106,217	98,121	68,450	58,700	61,640
Change in non-cash working capital	761	(5,229)	(14,991)	553	2,121
	106,978	92,892	53,459	59,523	63,581
Financing:					
Issue of senior notes, net of issue costs	98,630				
Bank borrowings	21,259	233,000	407,532	5,891	
Final instalment receivable					249,700
Repayment of bank loan	(110,000)	(247,423)	(84,000)		(249,700)
Issue of convertible debentures		142,372			
Issue of Trust Units	7,629	100,237	86,808	367	
Distributions to Unitholders					
– current year	(88,099)	(73,226)	(56,881)	(54,954)	(54,934)
Distributions to Unitholders					
– prior year	(7,687)	(5,937)	(4,372)	(4,370)	(8,740)
Interest on convertible debentures	(8,207)	(2,567)			
	(86,475)	146,456	349,087	(53,066)	(63,674)
Investments:					
Acquisition of AOSPL		(222,220)			
Acquisition of Federated			(361,515)		
Acquisition of NEBC pipelines			(39,194)		
Development capital expenditures	(27,242)	(10,389)	(3,508)	(9,870)	(11,241)
Maintenance capital expenditures	(1,221)	(1,183)	(361)	(161)	(818)
Other assets			(2,000)	1,061	
Changes in non-cash working capital	7,655		3,941		
	(20,808)	(233,792)	(402,637)	(8,970)	(12,059)
Change in cash and term deposits	(305)	5,556	(91)	(2,783)	(12,152)
Cash and term deposits (bank indebtedness), beginning of year	4,564	(992)	(901)	1,882	14,034
Cash and term deposits (bank indebtedness), end of year	\$ 4,259	\$ 4,564	\$ (992)	\$ (901)	\$ 1,882

continued

Supplementary Information *(unaudited)*

FIVE YEAR OPERATING STATISTICS

	2002	2001	2000	1999	1998
Average Annual Throughput <i>(in thousands of barrels per day)</i>					
Alberta					
Conventional Crude Oil	257.6	277.6	218.7	185.9	204.1
Condensate	54.0	61.6	57.1	52.3	65.8
Natural Gas Liquids	160.2	161.6	120.5	77.9	70.2
Total Alberta Pipeline Systems	471.8	500.8	396.3	316.1	340.1
British Columbia (BC) ¹					
Conventional Crude Oil	17.2	11.3	4.6		
Alberta Oil Sands Pipeline (AOSPL)					
Synthetic Crude Oil	235.0				
Total Pembina					
Conventional Crude Oil	274.8	288.9	223.3	185.9	204.1
Synthetic Crude Oil	235.0				
Condensate	54.0	61.6	57.1	52.3	65.8
Natural Gas Liquids	160.2	161.6	120.5	77.9	70.2
Total	724.0	512.1	400.9	316.1	340.1

Throughput Composition <i>(% of total)</i>					
Conventional Crude Oil	38.0%	56.4%	55.7%	58.8%	60.0%
Synthetic Crude Oil	32.5%				
Condensate and Natural Gas Liquids	29.6%	43.6%	44.3%	41.2%	40.0%

Pipeline Revenue <i>(in millions of dollars)</i>					
Alberta	\$ 170.0	\$ 175.7	\$ 130.3	\$ 101.3	\$ 108.7
BC	17.6	15.9	5.9		
AOSPL	36.9				
Total Pembina	\$ 224.5	\$ 191.6	\$ 136.2	\$ 101.3	\$ 108.7
Average Tariff (excluding AOSPL) <i>(dollars per barrel)</i>	\$ 0.97	\$ 0.95	\$ 0.93	\$ 0.90	\$ 0.88

¹ BC volume is Western System throughput only.

Corporate Information

OFFICERS AND KEY PERSONNEL

Robert B. Michaleski
President and Chief Executive Officer

Peter D. Robertson
*Vice President Finance
and Chief Financial Officer*

Fred E. Webb
Vice President and General Manager

D. James Watkinson, Q.C.
*Vice President,
General Counsel and Secretary*

S. Bruce Harris
Manager, Operations

BOARD OF DIRECTORS

Lorne B. Gordon ^{(1) (2)}
*Chairman
Calgary, Alberta
President and Chief Executive Officer,
Coril Holdings Ltd.*

Robert B. Michaleski
*Calgary, Alberta
President and Chief Executive Officer,
Pembina Pipeline Corporation*

David A. Bissett ⁽¹⁾
*Calgary, Alberta
Independent Businessman*

Myron F. Kanik ^{(2) (3)}
*Calgary, Alberta
Independent Businessman*

David N. Kitchen ⁽¹⁾
*Calgary, Alberta
Independent Businessman*

Donald L. Krogseth ⁽³⁾
*Vancouver, British Columbia
Independent Businessman*

Robert F. Taylor ^{(2) (3)}
*Calgary, Alberta
Independent Businessman*

HEAD OFFICE

Pembina Pipeline Corporation
707 – 8th Avenue S.W.
P.O. Box 1948
Calgary, Alberta T2P 2M7

AUDITORS

KPMG LLP
Chartered Accountants
Calgary, Alberta

TRUSTEE AND REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
600, 530 – 8th Avenue S.W.
Calgary, Alberta T2P 3S8
Shareholder Communications
1-888-267-6555

STOCK EXCHANGE

Pembina Pipeline Income Fund Trust Units
are listed on The Toronto Stock Exchange
under the symbol PIF.UN

8.25% Convertible Debentures
Symbol: PIF.DB

7.50% Convertible Debentures
Symbol: PIF.DB.A

INVESTOR INQUIRIES CONTACT

Phone (403) 231-7427
Fax (403) 237-0254
Toll Free 1-888-428-3222
e-mail investor-relations@pembina.com
Web site www.pembina.com

ANNUAL GENERAL MEETING

Unitholders are invited to attend
Pembina's annual meeting on May 1,
2003 at 10:00 a.m. The meeting will
be held in the Imperial Ballroom,
Hyatt Regency Calgary,
700 Centre Street South,
Calgary, Alberta.

PREMIUM DISTRIBUTION, DISTRIBUTION REINVESTMENT AND OPTIONAL UNIT PURCHASE PLAN

Pembina offers a Premium Distribution,
Distribution Reinvestment and Optional
Unit Purchase Plan to eligible Unitholders
of the Pembina Pipeline Income Fund.

The Plan allows participants an opportunity to:

- reinvest distributions into trust
units at a five percent discount to
a weighted average market price,
under the distribution reinvestment
component of the Plan; or,
- realize two percent more cash on
their distributions, under the premium
distribution component of the Plan
- eligible unitholders may also make
optional trust unit purchases at the
weighted average market price.

A brochure, detailing administration
of the Plan and eligibility and enrolment
information, is available on-line on
Pembina's web site located at
www.pembina.com, or call
1-888-428-3222 to receive a
copy by mail.

Unitholders wishing to enroll in the
Plan are asked to contact their broker,
investment dealer, financial institution
or other nominee through which the
trust units are held.

⁽¹⁾ Audit Committee Members

⁽²⁾ Compensation Committee Members

⁽³⁾ Environment Committee Members



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